FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,112 Wednesday December 17 1986 D 8523 B

Shamir reform plan faces turmoil, Page 4

World news | Business summary

Thatcher dismisses Awacs delay call

British Prime Minister Margaret Thatcher dismissed calls to delay the Government's imminent decision on its choice of an airborne early warning system to allow for an independent inquiry.

A formal Cabinet decision and House of Commons statement are expected tomorrow on the purchase of Awacs aircraft from Boeing of the US rather than the Nimrod system developed by General Electric Company of Britain.

In a dramatic confrontation in the House of Commons, Mrs Thatcher brushed aside complaints by GEC chairman James Prior, who is also a Conservative Party MP, about "damaging" leaks from the Ministry of Defence that Nimrod was unworkable. Page 20

Lebanon fighting

Yasser Arafat's Palestinian guerrillas retained the strategic south Lebanese village of Maghdousheh while their comrades battled Shia Moslems attacking two refugee camps in Beirut.

Barcelona bombs

Bombs planted at two French stores in Barcelona injured 28 in an apparent escalation of the Basque guerrilla campaign against France deporting suspected separatist guerrillas to Spain.

Mine battle deaths

Six black miners died and 34 were injured in factional fighting at an Anglo-American gold mine in the Orange Free State, South Africa.

Sri Lanka killings

About 75 people were killed in battles between the Liberation Tigers of Tamil Eelam and the Eelam People's Revolutionary Liberation Front. Indian warning, Page 6

Firecracker kills two

A man and a woman trying to smuggle some 500 kilos of contraband firecrackers from Brazil into Uruguay were killed in a massive explosion after police shot at their truck.

Polish reform drive

The central committee of Poland's Communist Party opened a two-day session to study ways to streamline industrial management and give fresh impetus to economic reforms.

Costly Japan

Japan is the most expensive country in the world to live in, according to a report by Employment Conditions Abroad, an advisory service for companies who employ expatriates.

Izvestia to sue

Soviet Government newspaper Izvestia has filed suit in Moscow for defamation by American businessman Raphael Gregorian, who was awarded $413,000 damages by a Los Angeles court in a case he brought against Izvestia for accusing him of espionage in 1984.

Aids' vaccine test

Efforts to find a vaccine to stop the spread of Aids are near the human-testing stage but an antidote for general use is some years away, a World Health Organisation official said.

Politburo man fired

Dinmukhamed Kunayev, aged 74, a member of the 12-man ruling Soviet Politburo and an aide of the late leader Leonid Brezhnev, was dismissed as leader of the Communist Party in Kazakhstan. Page 3

Sikh family killed

Sikh separatists shot dead six members of a Sikh family in a north-west Punjab village and wounded four, accusing the victims of being police informers.

Texas banks agree to merge

REPUBLICBANK and InterFirst, two of the largest banks in Texas agreed to merge yesterday. Earlier story, Page 26

THOMSON CSF, main defence and professional electronics subsidiary of nationalised French Thomson group, is raising FFr 2bn ($303m) in fresh equity capital with a further FFr 2bn to come during the next three years from the conversion of warrants. Page 21

DUTCH Government is to revise a planned bill to combat insider trading, proposing stricter penalties. Page 21

WALL STREET: The Dow Jones industrial average closed up 13.35 at 1,936.16. Page 46

TOKYO: Blue chips dominated trading, sending share prices briefly to a record high, although some early gains were eroded toward the close. The Nikkei market average ended at 18,933.07, up 144.13. Page 46

LONDON: Hesitancy returned to the markets as concern grew over the outcome of the Opec talks and the sudden dismissal of the chief of Petromin, the Saudi state oil group. The FT-SE 100 index showed a small gain of 0.9 to 1,637.9 and the FT Ordinary shed 0.7 to 1,279.6. Gilt prices finished ¼ or so lower. Page 46

DOLLAR closed in New York at DM 2.02075; SFr 1.7080; FFr 6.6155 and Y164.025. It closed in London at DM 2.0185 (DM 2.0180). It also rose to Y163.85 (Y163.25) and to SFr 1.7050 (SFr 1.7000), but fell to FFr 6.61 (FFr 6.6125). On Bank of England figures the dollar's exchange rate index rose to 111.3 from 111.0 Page 39

STERLING closed in New York at $1.4305. It fell in London to $1.4300 ($1.4325). It also fell to DM 2.8875 (DM 2.8900) and to FFr 9.4525 (FFr 9.4725), but rose to Y234.25 (Y233.75) and to SFr 2.4375 (SFr 2.4350). The pound's exchange rate index remained unchanged at 68.8. Page 39

GOLD fell $0.25 to $394.00 on the London bullion market. It also fell in Zurich to $393.75 ($395.25). Page 38

BANK OF ITALY is pressing for an early resolution of the bitter conflict raging over the future of Mediobanca, powerful Milan-based merchant bank, which has set a small group of private minority shareholders against IRI, state holding company which owns 56.6 per cent of the bank. Page 21

JAPAN'S Finance Ministry indicated that it would allow more US banks to set up securities facilities. Page 24

GENERAL MILLS, leading US package foods group, has reported a 33 per cent increase in profits for the second quarter and expects the upturn to continue through the remainder of the year. Page 24

OLIVETTI, Italy's office automation group, said it had agreed to acquire 22.5 per cent of Pelikan Holding of Zug, Swiss office products concern. Page 24

NORWAY'S minority Labour Government finally won parliamentary support for its 1987 budget, bringing to an end several months of intricate political wrangling. Page 3

MANUFACTURING output in the UK showed a further modest recovery in October, but total industrial production fell 0.8 per cent because of weakness in the energy sector. Page 18

BANK OF FRANCE lowered the seven-day repurchase rate by 0.25 per cent to 7.75 per cent and raised the intervention rate by the same amount to 7.25 per cent after a week of upheaval in the Paris money markets. Page 3

MONTEDISON chemicals group of Italy is in an advanced stage of negotiations to acquire Antibioticos, a Spanish bulk chemicals and pharmaceuticals concern.

Reagan seeks immunity for close aides

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan yesterday strongly urged Congressional investigators to grant limited immunity from prosecution to the central figures in the Iran arms scandal, in order to facilitate full disclosure of the affair.

"It is the President's desire to have the full story on Iran come out now," Mr Larry Speakes, the White House spokesman said yesterday in urging the Senate Intelligence Committee to grant "use immunity" to Vice-Admiral John Poindexter, who resigned last month as the President's National Security Adviser, and Lt Col Oliver North, who was dismissed at the same time.

"Use immunity" provides that testimony given to Congress cannot be used later in a court of law against those granted that protection.

Both men refused to answer Congressional questions last week on the grounds that the Constitution protects individuals from giving answers which might tend to incriminate them. Republicans and Democrats on Capitol Hill are both resisting White House pressure to grant immunity.

Separately the leadership of the Senate named the 11 Senators who will form the special Watergate-style Senate committee which will begin to probe the Iran affair when Congress reconvenes next month.

The committee will be chaired by Democrat Senator Daniel Inouye of Hawaii, who served as a member of the congressional committee into the Watergate scandal that brought down President Richard Nixon's administration in the mid-1970s.

It will conduct a sweeping and politically embarrassing assessment of the Reagan Administration's conduct of foreign policy.

The White House pressure for immunity came as Mr Donald Regan, the President's embattled Chief of Staff, went before the Senate Intelligence Committee in closed session to face questions about his role in the Iran arms dealings and about the structure of decision making in the White House.

Congressional investigators are trying to find out how the allegedly illegal White House-managed operation to skim profits from the arms sales to Iran and transfer them to the Contra rebels in Nicaragua was taken. Last week, Mr Robert McFarlane, former National Security Adviser, told Congress that he doubted that Vice-Admiral Poindexter or Lt Col North themselves would have made the decision but that a "higher authority" would have had to approve it.

Mr Regan firmly denied knowledge of the diversion of funds to the Contras. The President and Vice President George Bush, the White House's designated "crisis manager", have also denied knowledge.

Mr Regan emerged from the hearing saying that under oath he had testified that he "did not know of any diversion of funds from the proceeds of the sale of arms to Iran to the Contras and I don't know of any such thing and I don't believe the President of the United States knows of any such thing."

Persistent questions about Mr Bush's involvement forced his office on Monday to release a detailed chronology of contacts between his national security staff and individuals linked to the private network supplying the Contra rebels who are seeking to overthrow the Nicaragua Government.

The report detailed several previously undisclosed contacts between Mr Felix Rodriguez, a private individual and former CIA employee, who acted as a liason between the Salvadoran Air Force and the Contras, and Mr Bush's two top national security aides. It disclosed that Mr Rodriguez telephoned Col Sam Watson, the Vice-President's deputy

Vice-Admiral John Poindexter

national security adviser on October 5 and 6, to tell him that a private plane supplying the Contras had disappeared.

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Shultz refuses comment, Page 7

Farm ministers agree package to cut EEC milk, beef surpluses

BY TIM DICKSON IN BRUSSELS

A DAY of high drama ended in Brussels last night when Common Market farm ministers finally agreed a far-reaching package of Common Agricultural Policy (CAP) reforms.

The deal – which Mr Michael Jopling, Britain's Agriculture Minister said would tackle the "scandal" of Europe's vast food surpluses – includes a commitment to cut the Community's milk production by almost 10 per cent over the next two years, plus significant reductions in the guaranteed prices paid for Community beef.

Officials pointed out that the envisaged cut in milk production is equivalent to more than New Zealand's entire dairy output.

Yesterday's agreement came after seven days and almost as many nights of tough negotiations as member states sought a variety of ways of softening the blow for their beef and dairy producers. Although in a number of key respects it falls short of the more radical ideas originally put forward by the European Commission, the deal was being hailed in Brussels as a major watershed in Community farm policy and the first serious attempt to tackle the EEC's growing budgetary problem.

The successful outcome to a marathon meeting also enables Britain to claim a major triumph at the end of an otherwise lacklustre presidency of the EEC.

The EEC yesterday agreed on a far-reaching package of measures to dismantle barriers to free trade in shipping within the Community and with non-member nations. The deadline for the measures is two years later than originally proposed to meet Spanish concern about the impact of a quicker transition on its shipping industry. Page 3

The seemingly insuperable challenge for Mr Jopling was to reconcile widely differing national interests and to persuade his often hesitant colleagues to accept some unpalatable medicine. One of the biggest obstacles was Mr Ignaz Kiechle, the German farm minister, whose Government faces an election next month and who was under strict instructions from Chancellor Helmut Kohl not to concede anything which would diminish German farm incomes.

Many of the proposals for cutting milk production – notably the ideas for temporary rather than permanent cuts in milk quotas and the high level of compensation – were put into the package with the West Germans in mind.

The agreement, however, almost came unstuck when Mr Austin Deasy, the Irish farm minister, threatened to veto earlier proposals which excluded Ireland from receiving a new form of beef premium on the grounds that its farmers would already be receiving adequate support. After prolonged discussions a compromise was finally reached.

The financial implications of yesterday's deal will not become clear immediately, but Mr Jopling estimated that the dairy measures would save around £1.2bn ($1.7bn) over the next three years and the beef proposals around £80m in the same period. As much as Ecu 1bn ($1.03bn) could be knocked off the Community budget in 1987.

Some observers were treating these calculations with scepticism, not least because the expected culling of dairy herds in line with the fall in milk production could substantially swell the EEC's beef surpluses.

An exhausted but elated Mr Jopling claimed last night that the events of the last 10 days "prove that the Council of Agriculture Ministers is capable of taking really difficult but realistic decisions." While stressing the savings to EEC taxpayers and the reductions in food stocks which he hopes will flow from the new measures, he was also careful to emphasise the financial support which has been provided for farmers.

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Saudis appeal to Iraq as Opec faces deadlock

BY RICHARD JOHNS IN GENEVA

THE ORGANISATION of Petroleum Exporting Countries (Opec) faced the prospect of deadlock last night after a direct appeal by King Fahd of Saudi Arabia to President Saddam Hussein of Iraq for a more flexible negotiating stand.

However, President Hussein told the King by telephone that he was not prepared to reduce his demand that Iraq should be allowed to produce as much oil as Iran under any future production sharing agreement. Iran has consistently refused to accept this demand.

King Fahd's active role in the attempt to bring prices back to $18 per barrel was highlighted by his announcement that Dr Abdul Hadi Tahir, the governor of Petromin, the kingdom's oil and chemicals company, had been sacked.

Dr Tahir's dismissal after 24 years at the head of the state oil company was widely seen as a consequence of the dismissal six weeks ago of Sheikh Ahmed Zaki Yamani, from his post as Oil Minister. Although Dr Tahir's dismissal was not directly linked to the most recent moves of Opec and was related to internal Saudi politics, the move may have been intended to emphasise the King's determination to break with the former policy of increasing market share and to bring in new men dedicated to restoring the price of oil.

After the failure of King Fahd's efforts to secure a compromise between the two warring nations the prospects for a general agreement to cut production by about 7 per cent and to raise the oil price to $18 per barrel looked bleak last night.

A fully ministerial session originally scheduled for yesterday afternoon was cancelled that further bilateral consultations and contacts with heads of state could take place. After a conversation between the Saudi and Iraqi leaders Mr Tariq Aziz, Iraq's Foreign Minister, flew to Riyadh with a message from President Hussein to King Fahd. Delegates were pessimistic whether it could bring any resolutions of the deadlock.

However, some delegates were suggesting that the present temporary agreement which sets a ceiling of just over 15m barrels a day for 12 members (excluding Iraq) should be further extended. Another conference would then be convened towards the end of January.

Mr Qassim Taki, Iraq's Minister of Oil, yesterday told reporters: "We are standing firm."

The Iraqi position has been that its production quota should be raised to equal that of Iran, or should be allowed to produce as much oil as it can.

Under the quota agreement of October 1984, which forms the basis of the present temporary accord, Iraq

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Abdul Hadi Tahir profile, Page 20

Japanese join $1.2bn Californian property venture

By Ian Rodger in Tokyo

MITSUBISHI Estate, Japan's largest property group, is to develop a Y200bn ($1.2bn) housing and resort complex near Palm Springs, California, in a joint venture with a local property company.

This is the latest in a series of major property investments in the US by Japanese companies. Last week Mitsui Real Estate revealed that it had bought the Exxon building in New York for $610m.

The Japanese have been attracted to the US because US property prices, following the rise in the value of the yen, seem low, and the yields are often better than those available in Japan.

Mitsubishi said yesterday that its decision was based on the prospects for better profits than in the domestic market and on the high yen. It also preferred to invest in balanced developments rather than existing buildings.

The group's five-year project, which will get under way next month, will consist of 2,500 housing units, five 18-hole golf courses, tennis courts and other sporting facilities and a convention centre on a 700-hectare site 180 km south-west of Los Angeles.

Mitsubishi's partner in the project is Sunrise of Palm Desert, California. Sunrise will supply the 700-hectare site, while Mitsubishi will make an equity investment of Y6.5bn. The project will include a large resort-type centre, for which three to five hotels may be built.

Mitsubishi Estate has already developed housing projects in the US, at Atlanta, Georgia, and Palm Beach, California.

● Other recent Japan/US property deals have included the purchase of Arco Plaza in Los Angeles by Shuwa, a major Japanese property company, for $620m, in August as well as the American Broadcasting Company's headquarters in New York for $170m.

Daiichi Real Estate bought the Tiffany building on Fifth Avenue in Manhattan recently for $95m. In November, Daiichi Mutual Life Insurance bought the Crocker Center building in San Francisco for an estimated $130m-$140m.

Azabu, USA a medium-sized Tokyo retailer bought three hotels in Hawaii including the Hyatt Regency Waikiki for a total price of $270m in November.

Japanese commercial and trust banks have also been stepping up their efforts to be intermediaries in property transactions by providing information and extending loans for corporations.

Brazil scrapping price freeze to halt spread of black market

BY IVO DAWNAY IN RIO DE JANEIRO

THE BRAZILIAN Government is set to abandon its across-the-board price controls – the central plank of the anti-inflationary Cruzado plan introduced nine months ago.

Increases on some 500 products ranging from basic foodstuffs to freight charges are under review and relaxation of the controls is expected within a matter of days.

Last month Mr Dilson Funaro, the Finance Minister, introduced controversial price and tax increases on selected inessential goods. But at the time he assured the public that the price freeze would remain in force until February 28, the anniversary of the Cruzado plan.

The about-turn is being forced by increasing shortages of essential goods and the proliferation of black markets and the Government will find it hard to convince Brazilians that the authorised rises represent new ceilings and that restraint continues. The average increase being discussed ranges from 5 to 7 per cent.

Agreement to the relaxation came after representatives of Brazil's 18,000 supermarkets warned publicly that they could no longer hold the line against illegal price demands being made by suppliers.

Yesterday, Mr João Carlos Mendonca, president of the supermarkets association, was due to tell Mr Funaro that 5,000 of his members were faced with bankruptcy by prices which left only 25 per cent of products showing acceptable levels of profitability.

"If we don't have changes, from January the supermarkets will refuse to buy goods that don't give a sufficient return," he said before the meeting.

Relaxation of the price freeze will come as a welcome relief not only to retail businesses, but also to industry, which has grown increasingly alarmed by the dogmatic stand of the Government. Many believe that the authorities, by at last implicitly acknowledging the problems of market distortion and lost profitability, will now have greater flexibility to act.

Official consumer price figures for November, released this week, have estimated the month's inflation at 2.2 per cent, giving an accumulated inflation since March of just 14.11 per cent. But this, the first rise above 2 per cent since the February introduction of the price freeze, excludes the effects of increases in several items.

Analysts fear that even so this restricted basis inflation for December could touch 7 per cent and would climb to double digits if based on the former basket of goods and services. Interest rates for 60 day certificates of bank deposits hit a record of 220 per cent.

Agreement on the exact composition of the new consumer price basket is still to be discussed by a new tripartite economic and social council, uniting government, business and the labour unions. But there is already concern that reducing its contents to bare essentials will render the inflation index more vulnerable to price volatility.

Among the goods expected to suffer substantial price rises are milk, sugar, bread and household cleaning materials.

Triumph on debt agreement Page 7

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EUROPEAN NEWS

Peter Marsh interviews Frederic d'Allest, the head of France's national space agency

Europe stakes out its place in the heavens

"EVERY DAY of your life you use a space system to do something," says Mr Frédéric d'Allest. As tha director-general of the French National Space Agency (CNES), Western Europe's biggest space organisation, Mr d'Allest is a key influence in the drive to exploit resources beyond the atmosphere.

A tall, stern-looking man of 46, Mr d'Allest points to a range of epplications for satellites—meteorology, telecommunications, spotting stricken ships, mapping the Earth—as examples of the way mankind can benefit from putting objects into space. "Applications of space are not reducing, they are expanding," he says.

Increasingly, he feels, using the cosmos will involve men and women journeying into it to refuel satellites, work on space experiments or build large telecommunications ateunae. As a result, he believes, Europe ought to have its own techniques to put people into orbit independently of the US and USSR.

"We (in Europe) may be starting manned flights 20 years later than the US," says Mr d'Allest. "But by the end of the century, we shall have caught up."

Mr d'Allest, a graduate of France's elite Ecole Polytechnique, has a reputation for plain speaking. "Ha is very Gallic and he expresses his views very clearly and ruggedly," says one UK space official who works with Mr d'Allest closely via the 11-nation European Space Agency, which co-ordinates the continent's work in space science and technology.

The French space chisf ergues strongly that Europe should promote its thrust into space because of the strategic and commercial advantages rather than because doing things in space simply appears exciting.

Neither should people regard funding space technology as a way to obtain commsrcial spin-offs, such as non-stick frying pans or life-support systems for hospital patients. "By doing jobs in space, we can learn how to do some things nn the ground," says Mr d'Allest. "But this is not enough to justify going there in the first pisce."

Mr d'Allest's pivotal position in Western Europe'a space affairs results not only from his long experience—he has worked at CNES for 20 years, the last four of them at the top—but also from tha fact that Franre ia easily the continent's biggest spender in space science and technology.

The country's space budget, which this year (1986) comes to FFr 5,800m (£623m), accounts for roughly half Wastern Europe's total spending in this area. About 40 per cent nf the French money goes on pro-

Mr d'Allest: applications of space are expanding

grammes co-ordinated by ESA—which eccounts for a little more than half the continent's total space spending and within which France is the biggest paymaster, with West Germany a close second—while the rest of the cash is spent mainly within CNES.

Although ESA has a alightly bigger budget than CNES, the French agency, with 2,100 staff as opposed tn the 1,400 at ESA, is Western Europe's biggest space body.

France has played the leading role in the most visible European space programme, the development of the Ariane satellite launcher. Although this is officially an ESA project, France has put np obout 60 per cent of the development costs.

Given the dominant Gallic influence in European extraterrestrial activities, it is no surprise that the main offices of ESA are only a short taxi drive away from CNES's own resplendent, msrble-clad headquarters in the centre of Paria.

Indeed, Mr d'Allest and other French spaca officials sometimes displey mild annoyance that the official language of ESA is not French but English. There is also an unwritten rule that the head nf ESA should be other than French. The present incumbent is a German space scientist, Professor Reimar Luest.

Within ESA, France pushed the Ariane development, which started in 1973, nn the basis that Enrope had to acquire its nwn capability to lannch satellites without relying on rockets operated by the US National Aeronautics and Space Administration (Nasa).

Although Mr d'Allest supports the ESA policy of general co-operation with ths US — one manifestation of this is that the Europeana are due to join a US plan to build a manned space station in the 1990's—he thinks that Europe should have a long-term aim of independence in space.

Hence tha drive to build Europe's own manned space transporter in the shape of Hermes, a reusabla vehicle like a miniature version of the US space shuttle, that is due to be lifted into space oo top of an Ariene-5 rocket, a more powerful version of today's Ariene. France intends to put up about 40 per ceot of the £2bn to £3bn that Hermes is expected to cost. The French view is that Hermes should carry only people, with the job of launching satellitas left to unmenned Arianes.

The Challenger space shuttle explosion in the US has hod, Mr d'Allest thinks, several consequences for Europe. First, it justifies tha French view thet different space vehicles should do different jobs. Mr d'Allest has argued for some years thet the shuttle is too complex and expensive for the relatively straightforward task of launching satellites, which he thinks ia best left to conventional rockets such as Ariane.

With President Reagan's decision to pull the shuttles out of launching commercial satellites, and the invitation to private US companies to run their own launch services using rockets like the Delta and Atlas-Centaur, tha US philosophy on launchers now appears similar to thot in France.

The most immadiate result of the Challenger disaster has been to ground the remaining shuttles until 1988. This has meant that Ariane, despite its own technical problems, which have stopped flights sinre a launch mishap in May, has taken the role of the Western world's main satellite launcher. Launches using the rocket are sold by Arianespace, a mainly French company, of which Mr d'Allest is president.

The shuttla explosion also showed that manned space projects are inherently risky. "We would never say Hermes will not have an sccident," says Mr Allest. Another affect is to meke the US "more vulnsrable" and hence more susceptible to the idea that the Europeans ahould be treated as equal partners in joint projects, over the space stotion for example.

According to Mr d'Allest, there is still soma way to go in *finalising* the discussions over the space station — Europe's part in this is intended to be a $2bn space laboratory called Columbus — but he expects agreement in principla to be worked ont between ESA and Nasa over tha next few months.

For Mr d'Allest, the development of Ariane-5, Hermes and Columbus should proceed in parallel, to give Europa experienca in building and operating manned space systems over which it has total control. The three programmes add up to "tha first step towards space autonomy," he says.

Bonn sees US pressure for reflation easing

BY DAVID MARSH IN BONN

AMID A tide of forecasts from West Germany that its massive current account surplus will at last start to decline next year, a Christmas lull has interrupted the long-running sparring between Bonn and Washington over economic policy.

Mr Martin Bangemann, tha Minister, claimad yesterday that West Germany's efforts to achieve growth through domestic demand rather than exports were now "better understood" abroad.

Government officials note a significant ebbing of US criticism of West Germany's policies on growth in recent months. They say that Mr Gerhard Stoltenberg, the Finance Minister, came under no special pressure tn reflate at his meeting in Kiel at the weekend with Mr James Baker, tha US Treasury Secretary.

Confidence in Bonn that previous scathing criticism from Washington will not be repeated has risen in spite nf a downgrading of West Germany's own economic growth hopes for 1987.

Bonn's council of independent economic advisers last month forecast nnly 2 per cent average growth for 1987, in a prediction that took senior government officials by surprise.

Officials now say that the Gnvernment's annual economic report, to be finalised next month, will probably project growth of around 2.5 per cent rather than the 3 per cent which had been confidently predicted up tn now.

The optimistic Mr Bangemann, in remarks on Monday, said expansion could be between 2.5 and 3 per cent next year.

Senior officials from the Bundesbank belleve international irritation over West Germany's economic performance could be dampened hy a steady decline in its current account surplus starting next year. The Bundesbank believes the surplus, likely to total about DM 75bn (£26bn) this year, could fall by DM 10bn to DM 20bn in 1987 as a result of only modest export growth and burgeoning imports.

They also see the danger, however, that the dollar's decline could continue next year, putting renewed pressure nn West German exports. This risk has been heightened, the Bundesbank believes, by the doubts over the political effectiveness of the US Administration which have come to the surface after the Iranian and Nicaraguan *arms affair.*

The present optimistic mood in Bonn is clearly influenced by the closeness of the January 25 general elections. The opposition Social Democratic Party (SPD), claims that export-oriented industry is already facing severe competitive difficulties as a result of the rise in the D-mark. But the SPD has found it difficult to mount a conclusive case that 1987 prospects are really much less good than the Government is pretending.

The latest economic report from the respected Kiel economic research institute, for instance, says that domestic spending will remain the driving force of the upswing in 1987, and forecasts growth in

Mr Bangemann: better understood

the country's gross national product of 3 per cent. It reckons the current account surplus will decline tn DM 60bn next year from DM 75bn in 1986.

In hia remarks yesterday, Mr Bangemann pressed home calls for the US to take corrective measures on its own problems. Noting that the US current account deficit was likaly to continne extremely high at an estimated $140bn next year, he said the US had tn master a "structural change" in its economy.

West German belief thot US companies are still not competitiva enough to boost market share abroad—in splte nf the sharp dollar devaluotinn over the past year—has been buttressed hy latest bilateral trade statistics.

During the first 10 months of the year, West German exports to the US fell hy only 0.2 per cent while imports from the US ware cut by 18.9 per cent. This resulted in a rise in the West German surplus with the US to DM 23.8bn in the first ten months *from DM 23.2bn in* the whole of 1985 in spite of the strong appreciation of the D-mark during this period.

Spanish unemployed at record

By Tom Burns in Madrid

THE NUMBER of jobless Spaniards registered at unemployment agencies climed to o record 2,867,033 in November, 57,000 more than the previous high set at the end of January according to statistics released by the Ministry nf Labonr.

The figure, which represents 20.77 per cent of the active working populatinn, contrasted, however, with data indicating that an increasing number of Spaniards are finding employment.

Mr Carlos Solchoga, the Economy Minister, claimed at a news conference that the jobless statistics in reality underlined a buoyant economy because the numbers registerd at the official employment offices reflected greater optimism sbont job opportunities.

The Labour Ministry figures showed that 282,652 Spaniards had found employment durlng last month, an increase of 28,574 *over the figure* for November, 1985. In the first 11 months of this year 2,784,753 had found employment through the official agencies, 429,604 more than over the same period last year.

Mr Solchaga said that an increasing number of Spaniards who work in the "black" or "underground" economy were now applying through the official channels for registered employment.

He haa consistently claimed that less than 2m people are in fact johless and that the real unemployment figure stands et around 15 per cent of the working population.

The November total eame after a monthly rise of 82,556 registering as unemployed. This was the third successive monthly rise and was the largest increase since November, 1982. For six months this year, between February and August, them onthly numbers registering as johless were falling and the trsnd prompted claims in the summer that Spain's unemployment had levelled out.

A statement issued by the Labour Ministry blamed the steep climb that commenced in September on the end of seasonal employment in the tourism sector and on tha antry into the labour market of first job seekers.

Barcelona blasts aimed at French

By David White in Barcelona

TWENTY-EIGHT people were injured, four of them serinusly, when two bombs exploded shortly after midnight yesterday ot the premises af French companies in the centre nf Barcelona. The second bomh started a fire and residents had to be evacuated. Police named the Basqne separatist organisatinn ETA.

Mr Jordi Pujol, head nf the Catalan regional government, said the attacks were evidence that ETA had chosen Barcelona as a new centre for its bomhing campaign, since it was an easy place for terrorists to hide.

The Spanish outhorities had been awaiting a resurgence of Eto actions, as haa been customary ot the end of the year. The bombs, which went off at the Barcelona offices of the Pernod-Ricard drinks group and at a showroom of the Roche-Bobois fnrniture company, where part of o series of attacks against French interests, apparently with the hope of compelling Paris to call off its policy of handing terrorist suspects nver te Spain.

A conrt in Montpelier, south-west France, yesterday recommended the extradition nf an alleged Eta member, Jesus Jimenez Zurbano. Four others are already awaiting extradition by the French government.

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Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: R.A. Harper Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1986. FINANCIAL TIMES, USPS 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

EUROPEAN NEWS

Parliament in Norway passes budget

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

NORWAY'S minority Labour Government yesterday finally won parliamentary support for its 1987 budget, bringing to an end several months of intricate political wrangling.

The Bank of Norway, immediately took advantage of the calmer atmosphere in financial markets and cautiously lowered its key short-term interest rate by half a percentage point to 15.5 per cent.

The central bank had been forced to raise the interest rate for lending to the banks from 14 to 16 per cent at the beginning of December in an attempt to halt e growing crisis of confidence in the krone.

The Norwegian economy has plunged into its most serious crisis in many years following an uncontrolled rise in private consumption and the precipitous fall in the price of oil, the country's most important export commodity.

The currency has faced several waves of heavy speculation this year and foreign exchange markets have remained sceptical about its prospects despite the 12 per cent devaluation implemented in Mey.

The final passage of the austerity bodget for next year appears to have calmed the markets for the moment, however, and the krone, though still very weak, has stabilised in recent days without intervention from the central bank.

The budget has been tightened by about NKr 1bn (£93m) since it was first presented in October and government spending will be virtually unchanged next year in real terms. It is expected to show a surplus of some NKr 4.6bn despite an estimated drop of close to 40 per cent in the state's revenues from North Sea oil to NKr 22bn from NKr 36bn in 1986.

The revised budget included higher taxes on cars, oil, tobacco and alcohol, higher gross income tax rates and reduced deductions for a tax favoured savings scheme.

With the rapid deterioration of Norway's economic prospects, the country is facing rising inflation which is running far above levels in competing countries, a rapidly mounting deficit on the current account of the balance of payments, and a still overheated labour market, a problem which will be exacerbated by the planned cut in working bours from January 1 next year.

Oslo to go ahead with flag of convenience

By Our Oslo Correspondent

THE NORWEGIAN Government has confirmed that it plans to establish an offshore shipping register offering reduced costs to shipowners.

Mr Kurt Mosbakk, Minister of Trade and Shipping, said it would be open to both foreign and Norwegian owners, but overseas companies would be required to operate through Norwegian subsidiaries.

"There must be a real management and operation organisation, not only a mail box company," he said.

A White Paper will be put before Parliament in the spring, and the Government hopes the register will begin operating next summer.

Details have not yet been released, but the Government is expected to abolish the legal requirement that two-thirds of the crew of a ship be Norwegian.

It is also considering relaxing taxes on shipping companies using the register, though probably not enough to compete directly with major international registers such as Liberia and Panama.

The Norwegian international register would probably operate alongside the existing register, which would remain open for vessels operating in the coastal and offshore sectors. An earlier plan to base the international register in the Svalbard Islands appears to have been dropped.

Mr Mosbakk said the proposals were intended as "a signal about how the Government foresees the future operational conditions for Norwegian shipping."

Confirmation of the Government's proposals follows moves by several Norwegian shipowners to operate under international registers. The Norwegian register lost a net 82 ships in the first 10 months of this year, and a further 60 vessels are currently in the process of tranferring to international registration.

According to Government figures, the Norwegian-registered, foreign-going fleet is expected to total only 9m tonnes deadweight by the end of this year, a reduction of 80 per cent since 1977.

Major shipowners who have annnounced transfers to international registers in recent months include Bergesen, Leif Hoegh, and Kloster Cruises, the world's biggest cruise ship operator.

Unilever-France chief to head Patronat

BY PAUL BETTS IN PARIS

THE HEAD of Unilever-France, Mr Francois Perigot was elected president of the French employers' confederation, the Patronat, yesterday.

Ha had already been picked by the Patronat's executive council as its preferred candidate. However, he was challenged for the presidency right up to the end by Mr Yvon Chotard, a former vice president of the Patronat who had been responsible for the organisation's labour relations since 1972.

However, Mr Perigot won with 71.06 per cent of the votes of the Patronat's general assembly yesterday. He was also the favoured candidete of Mr Yvon Gattaz, the retiring chairman who defeated Mr Chotard in the previous elections five years ago.

The election of an executive from a multinational reflects en evolution in the Patronat and e greater opening to international business. Indeed, Mr Perigot yesterday emphasised his aim of encouraging the internationalisation of French business and to help make it more internationally competitive.

As part of this effort at internationalisation, Mr Perigot announced that he had asked Mr Claude Noel Martin, former chairman of Generale Biscuit, France's leading biscuit maker recently taken over by the French BSN food group, to head an international commission at the Patronat. Mr Martin has long been an advocate of French businesses edopting a more European or global approach. Ha was tipped at one stage to be the next Patronat president but he indicated early in tha race that he was not standing.

Mr Perigot yesterday said the Patronat's task was not to waste the opportunity offered by the liberal free market opening in France.

Another priority will be to rebuild the unity of tha Patronat after the internal division caused by the feud between Mr Gattaz, and Mr Chotard. Mr Perigot will hava to use all his diplomatic skills to re-establish e strong internal consensus in the organisation.

Levy to leave for Renault next month

By William Dawkins in Brussels

MR WILFRIED MARTENS, the Belgian Prime Minister, yesterday formally confirmed that Mr Raymond Levy is to he released from the chairmanship of Cockerill Sambre, the troubled steel group.

Belgium will not request compensation from the French Government, which wants Mr Levy to take charge of the Renault motor company in the wake of the murder last month of its former chairman, Mr Georges Besse.

Mr Levy will be permitted to leave Cockerill Sambre after the next board meeting on January 8. His present job as chairman of the boerd and managing director will be split. Mr Philippe Deleunois, currently director general of the steel group, will be promoted to managing director.

In the meantime, Mr Philippe Maystadt, the Belgian Economic Affairs Minister is to take steps to find a new chairman.

Member of Brezhnev old guard loses post

BY PATRICK COCKBURN IN MOSCOW

MR MIKHAIL GORBACHEV yesterday dismissed Mr Dinmukahmad Kunaev, leader of the Communist Party in Kazakhstan and one nf the few senior Soviet leaders surviving from the Brezhnev era. Mr Kunaev (74) remains a oominal member of the national politburo, hut is likely to lose that position before long.

The retirement of Mr Kunaev, who has been a politburo member since 1966, has long been expected following Mr Gorbachev's moves over tha past 18 months to appoint younger members.

The new first secretary for Kazakhstan is Mr Gennady Kolbin, a 59-year-old Russian, who has been party leader in the city of Ulyanovsk in Central Russia.

The five republics of Soviet Central Asia have seen the most extensive purges of senior party and government officials since the death of President Leonid Brezhnev in 1982. The dismissals have been accompanied by accusations of corruption and falsification of economic results.

Uzbekistan's cotton minister was executed thia autumn for systematically exaggerating output and embezzling the payment for non-existent production.

Before the dismissal of Mr Kunaev yesterday, many senior provincial party leaders appointed by him had been removed.

Although Russians are the largest single ethnic group in Kazakhstan, the appointment of Mr Kolbin has caused some surprise. as well as reasserting central control over the republic. Mr Gorbachev is eager to obtain a better return on tha heavy investment made in Central Asia over 30 years. Kazakhstan bas heen particularly favoured because of the development of its virgin iands in the 1950s, and because Mr Kunaev was always a loyal supporter of Mr Brezhnev.

Moscow repeats offer on chemical weapons

BY OUR FOREIGN STAFF

THE Soviet Union yesterday repeated its offer to declare a moratorium on the prodnction of chemical weapons if the US gave up its plans to resume the manufacture of such arms

Mr Viktor Israelyan, the chief Soviet delegate at the 40-nation disarmament confereoce, said at a news conference in Geneva that Moscow would agree to a freeze provided that it also included the projected production by the US of a new generation of binary chemical weapons.

The US has already rejected a similar proposal made by Moscow at the United Nations General Assembly last October and there is no reason to suppose that its attitude has changed since then.

To accept a moratorium as Moscow has suggested would be tantamount to endorsing an overwbelming superiority by the Soviet Union in chemical weapons.

The US, which halted chemical arms production in 1969, and its Western allies have called for a complete ban of chemical weapons as part of a comprehensive arms control deal which would also cover nuclear and conventional forces.

Interest rates adjusted by French central bank

BY GEORGE GRAHAM IN PARIS

THE BANK of France restored its interested rates to calm after a week of upbeaval in the Paris money markets.

The intervention rates, which marks the lower end of the money market range, was raised by 0.25 percentage points to 7.25 per cent, while the upper marker, te seven day repurchase rate, was lowered by the same amount to 7.75 per cent.

The French aothorities were forced to raise the seven-day rate sharply last week wben student demoostrations in Paris combined with an increase in West German interest rates pot severe pressure on the French franc in the foreign exchange markets. Day-to-day rates rose as bigh as 9 per cent.

The French Finance Ministry put much of the blame for the rise on the Bundesbank's decision to raise its repurchase rate, and Mr Edouard Balladur, the finance Minister, expressed his irritatioo last week.

Yesterdey's moves narrow the interest rate bracket to 0.5 percentage point once again, but at a slightly bigher level than last week.

Officials explained that the Ffencb banking system's demand for liquidity is curreotly high, as banks are building their reserves in anticipatioo of the year-end. They expected that it would be possible to reduce rates again to their earlier level of 7 -7.5 per cent early in the new year.

The Bank of France's two interest rates now play a greater role in monetary policy. since the Government has moved towards a system of monetary control through interest rates rather than through quantitive credit controls.

EEC to scrap shipping barriers

BY WILLIAM DAWKINS IN BRUSSELS

THE EEC'S 12 member states agreed last night on a far-reaching package of measures to dismantle barriers to free trade in shipping within the Community and with non-member countries.

However, transport ministers meeting in Brussels looked as if they would fall to sink their differences on a proposal to scrap the right of a member state to restrict domestic cargoes carried between its own ports to national carriers – known as cabotage.

British opposition to cabotage failed to persuade France, Italy and Greece to lift their resistance to a move which they fear could disrupt their national fleets.

But southern member states, which have taken the worst of the diminution in the size of EEC'a merchant fleet, did lift their opposition to three liberalisation measures.

These will permit EEC-registered vessels to offer services freely between member states by the end of 1989; to allow the same freedom between EEC states and third countries by the end of 1991: and to abolish cargo sharing arrangements between member states and third countries by January 1993.

The deadline for the first two moves – free shipping within the EEC and from Community ports to non-member states – has been set two years later than originally proposed by the European Commission, to meet Spain's fears over the impact of a quicker transition on its own shipping industry.

Shipping ministers also agreed in future to impose anti-dumping duties against third country shippers which use unfair pricing

In a related move, member states agreed on a code for taking action against third countries which try to restrict EEC operators' access to ocean cargoes in attempts to safeguard their own fleets. Such action would range from diplomatic representations to the governments concerned, to the imposition of special permits, taxes or duties.

Earlier, the transport ministers agreed on new Community quotas for road haulage operators, increasing by an average 15 per cent the number of permits available in each member state for their own transport companies to operate freely across EEC frontiers, adds Quentin Peel.

They agreed that they would decide at their next meeting in March on a proposal for an average 40 per cent per annum increase in such quotas in the future as a move towards a completely free road haulage market by 1992.

US 'disturbed' by South African raids says envoy

A SENIOR US State Department official said yesterday that the US was "deeply disturbed" by South Africa's threats and cross-border raids against its black-ruled neighbours, AP reports from Gaborone.

Mr Michael Armacost, Under-Secretary of State for Political Affairs, spoke to reporters following a meeting with President Quett Masire of Botswana and Mr G. K. Chiepe, Foreign Minister.

Mr Armacost flew to Gaborone yesterday from Zimbabwe. He also plans to visit Mozambique, Malawi and Zambia. In Zambia, he intends to confer with officials of the African National Congress – the main guerrilla group seeking to topple South Africa's white rulers.

Asked why his itinerary did not include South Africa, Mr Armacost replied: "The time isn't right for discussions at this moment.

"We are deeply disturbed by tha recent South African cross-border raid into Swaziland and South African threats against Botswana and its other neighbours."

He was referring to raids into Swaziland last week, apparently aimed at suspected ANC supporters, in which two people were killed and four people – including a Swiss couple – were abducted. The two Swiss and one of the other abducted peopla were later released.

South Africa had recently accused Botswana's Government of allowing ANC guerrillas to operate from its territory and has indicated it might respond militarily. Last May, South African forces staged raids on alleged ANC targets in Botswana, Zimbabwe and Zambia.

Mr Armacost said his mission was "to affirm my Government's interest in continuing to play a role in the search for a peaceful solution to the problems in this troubled region."

"Our energies are not only focused on trying to avert catastrophe but are also aimed at trying to construct a stable and prosperous future for southern Africa," he said. "We share an objective with the front-line states to encourage the process of negotiation with South Africa to dismantle apartheid."

The so-called "frontline" states are Zambia, Angola, Mozambique, Botswana and Tanzania.

Judge attacks Britain over Armstrong's evidence

Chris Sherwell reports on the latest developments in the MI5 spy memoirs case

THE BRITISH Government, already criticised several times by tha judge bearing the MI5 spy memoirs case in Sydney, was strongly attacked again yesterday for putting up Sir Robert Armstrong, the Cabinet Secretary, as its chief witness.

Mr Justice Philip Powell of the New South Wales Supreme Court complained bitterly that Sir Robert did not bava "the capacity to give good, hard and usable evidanca."

Twice he blamed "those who put him up," and twice he went on to say thet "if that is the way the British Government wants to run things, so be it."

The judge, wbo on Monday made similar complaints about the evidence of Sir Robert's Australian counterpart, was hearing final UK submissions on its bid to suppress the controversial memoirs of former MI5 officer Peter Wright.

His criticisms were among the strongast he has mada in more than four weeks of proceedings, and coincidentally followed a sustained attack on Sir Robert from British MP Dale Campbell-Savours in tha House of Commons on Monday.

Mr Campbell-Savours accused Sir Robert of lying to the court, an allegation not echoed yesterday by Mr Justice Powell. The judge's complaint was that Sir Robert had plainly bean nominated as a witness who woold not admit too much when cross-examinad.

According to Mr Powell, Sir Robert'a avidence suggested he was not deeply involved in the process which ultimetaly led to the key decision not to restrain publication of Their Trada is Treachery by Chapman Pincher.

This book, published in Marcb 1981, first revealed that former MI5 director-General Sir Roger Hollis had been investigated as a possible double agent working for tha Soviet Union.

Tba decision is important to Mr Wright's dafance because *he says* the Government in effect autborised the book and so cannot stop him publishing the same material in his memoirs.

On Sir Robert and spy matters, Mr Justice Powell said yesterday that Britain's top civil servant was chief official adviser on security affairs, but that did not make him an expart. Tbe operational adviser, he said, was "undoubtedly the DG."

The judge, complaining that be had been "placed in a most difficult situetion," said he could not accept what Sir Robert had stated in court concerning the Government'a decision not to stop publication of the Pincher book.

When Mr Theo Simos, QC, for the UK Government, responded that Sir Robert had given the reasons, the judge replied deliberately: "He was told reasons, and that is hearsay."

The judge added: "He hasn't told us what happenad at the tima. I'm faced with a set of facts which to me as a lawyer is just inexplicable, and I'm not provided with an answer I can accept. That's not Sir Robert'a fault. It'a tbe fault of those who put him np."

On several occasions Mr Powell reiterated his view that, if the British Govarnment had wanted to stop publication of tbe Pincher book, it could have done so with ease without disclosing sensitive information to tha British courts.

At another point, he said he could not accept the British contention that tha information in Mr Wright's mamoirs should only he disclosed to the authorities and not to the public.

The British Government, he said, had admitted for this case that the facts in Mr Wright's memoirs ware true. If Soviet penetratioo was therefore strong and continuing, it was no answer to say that tha Australian Government should be told.

"The public interest is to he told there's a hunch of bungling idiots in Canberra and Australians must know," ha declared.

In other exchanges, the judge accused the British Govarnment of engaging in "sophistry of the highast order" and called one of its arguments e "classic piece of fancy dancing."

None of this stopped Mr Simos pushing hia arguments. He said tha judge was nhliged, as in all equity cases, to concentrate on the conscience and conduct of the wrongdoer.

Neither the public interest nor the fact that he disagreed with others allowed Mr Wright to commit breeches of confidence, even if the information hed already been published, Mr Simos said.

As for Mr Wright's suggestion that there was a conspiracy in the publication of the Pincher book, Mr Simos said there was not "one shred, one jot, one tittle or one scintilie," of evidence to support this contention.

Mr Simos' presentation, which began on Monday, continued for the whole day yesterday and is yet to be completed. This means final submissions for the defence will only begin today. *As a result* tbe target of completing hearings by Friday, though still in place, is starting to look threatened.

Israel and Jordan in W Bank link

By Andrew Whitley in Jerusalem

FRESH indications of growing practical co-operation between Israel and Jordan—still technically at war—over the Israeli occupied West Bank region bave come thick and fast in recent days.

The lates developments follow the disclosure that officials from the two countries have secretly been holding regular meetings in recent months.

Among recent examples of this unspoken co-operation have been:

● Tacit permission by the Israeli authorities to a dissident Palestine Liberation Organisation leader backed by Jordan to open an office in the West Bank;

● The deportetion order on a leading Palestinian newspaper editor accused of "incitement." Mr Akram Haniye's appeal to the Israeli Supreme Court against the order—regarded as a test case which could open the doors to other deportations—began yesterday;

● Approaches by three foreign banks—one Jordanian, one Egyptian and one British-owned—to the Israeli authorities to re-open closed branches in the West Bank. Prior approval is understood to have been received from the Jordanians.

Andrew Whitley assesses the effect of plans to change Israel's underlying socialist tenets

Economic reforms bring turmoil for Shamir

JERUSALEM has been swathad in fog of lete, as the winter chill creeps in. Fog also appears to have become a state of mind lately for the disparate coalition government headed since October by Mr Yitzhak Shamir of the Likud.

The confusion and turmoil which the premature release of a radical package of economic reforms has generated is an apt case in point. On the face of it, these proposals represent the most far-reaching attempt yet to reform Israel's underlying Socialist tenets. Changes in the tax system and the capital markets would, the Finance Ministry hopes, release the private sector from its bondage, heralding an era of growth and prosperity. But the lack of serious political groundwork undertaken before the package was unofficially launched last week must call into question the degree of genuine commitment its parents have towards their offspring.

Persuaded by his advisers of the electoral advantages to be gained by pursuing a bold economic strategy, the usually cautious Mr Shamir must today be wishing he had never agreed to a policy which in retrospect may seem rash.

The latest denunciations of the programme's contents have come from Mr David Levy, Likud's populist deputy prime minister, and from Mr Yitzhak Peretz, the ultra-orthodox Shas party leader. The question that now remains is what can be salvaged from the mess.

What motivated Mr Shamir, who has never professed any knowledge of, or interest in economic matters, to endorse a programme whose inspiration comes from Washington—and whose contents were then fleshed out by the Bank of Israel and the Treasury — is clear enough.

It was the desire to escape from the shadow of the notable achievements of Mr Peres, his rival, in bringing the previously out-of-control economy to heel over the past 18 months.

As one senior government official put it privately, the choice before the new Israeli Prime Minister was one between putting his own stamp on the country through a radical break with the past, and continuing to let the economy muddle along in its present fashion. After hesitating for weeks, Mr Shamir finally plumped for the first option.

The Treasury plan is, in effect, stage two of the emergency stahilisation programme launched by Mr Peres in July 1985, and will be introduced in two stages, on January 1 and April 1, to coincide with the next budget.

Building on the unaccustomed price and exchange rate stability the country has recently enjoyed, the aim is to implement a series of structural reforms that the US Government and, in particular, Secretary of State Mr George Shultz, has long been pressing Israel to carry out.

Added urgency was contributed by a growing awareness within parts of the Government that the gains of July 1985 were being frittered away by high real wage rises and by a corresponding resurgency of inflation.

Pressure has grown inevitably for a substantial devaluation of the shekel to restore the country's declining competitivity abroad, or for the reintroduction of direct assistance to exporters to boost the deteriorating trade deficit. Scares over a devaluation sent the black market dollar up again yesterday after weeks of level-pegging with the official bank rate.

But on both counts economic officials are standing firm, insisting there would be far more cuts if the Government were to make fresh cuts in its own spending, especially in the bloated social and defence sectors, including laying-off public employees.

Backing up the beleaguered Finance Ministry, Professor Herbert Stein of Washington's right-wing American Enterprise Institute, an adviser to the US State Department on Israel, warned yesterday that the long-term durability of the Israeli economy was still an "open question." Budget cuts were absolutely essential, he stressed.

Beyond cutting public expenditure, a renewed attempt will be made to sell off miscellaneous state-owned companies, headed by the leading domestic oil company, PAZ. Despite much lip-service to this cause from both Mr Shamir and Mr Peres, nothing has been achieved in this respect so far in the face of entrenched bureaucratic opposition.

The Treasury is also anxious to release more long-term funds for private investment from the domestic capital markets and has thus embarked on a gradual process of weaning the state off this ready source of finance.

But the real revolutions come in the proposals to slash top levels of personal taxation and introduce charges for social services. Some of these may still go through, but the opposition from the Histadrut, the giant labour federation, and from the Labour Alignment, its political affiliate, will be fierce.

HIGHLIGHTS of tha Israeli Government's proposed 10-point economic reforms package:

Reduction of the top rate of personal taxation from 60 to 45 per cent, combined with a raising of the tax threshold to shekels 880 (£380) a month;

Simplification of the tax system, through abolition of a wide range of personal and corporate tax exemptions;

Opening up in stages of the domestic capital market, at present monopolised by the state. First modest step already taken;

Introduction of user charges for social welfare services on the lines of recent changes in Britain's National Health Service;

A cut in the stata budget for 1987-88 of Shekels 500m, with the axe falling heaviest on education, health and defence;

Relaxation of foreign exchange controls;

Speed-up of the privatisation of a list of state-owned companies, through the establishment of a new independent body charged with carrying out this task;

Further cuts in state subsidies on basic foodstuffs and public transportation;

Reductions in import duties on a wide range of goods from the European Community and the US, to come into effect on January 1, in line with previous agreements.

Zimbabwe business confidence declines

BY TONY HAWKINS IN HARARE

BUSINESS confidence in Zimbabwe industry has declined steeply in the past 18 months mainly because of the foreign currency situation.

This is the chief conclusion to emerge from the University of Zimbabwe's latest business opinion questionnaire to which 131 industrialists submitted replies.

Nearly half the respondents said they were more pessimistic than six months previously – the highest such reading in three years – while the proportion of respondents describing themselves as more optimistic fell from 65 per cent 18 months ago to only 12 per cent.

"The overriding conclusion is that the manufacturing sector is more seriously constrained than previously by supply-side shortages of imported inputs and raw materials while domestic demand remains relatively strong," says the survey.

The clear implication, it warns, is that shortages will continue to intensify while demand pressures push up prices. The worsening shortages are underlined, it says, by the Government's recent decision to impose anti-hoarding measures.

A bright spot in the survey is its finding that more industrialists (56 per cent) have plans to invest in fixed assets next year than at any time for five years.

However, the report says it is difficult to reconcile this with the gloomy response on employment. Only 3 per cent of the replies indicate intentions to increase employment while more than 14 per cent say they plan to lay off labour next year.

The implication, says the survey, is that the bulk of the planned investment is either capital-intensive in nature or for replacement rather than expansion purposes.

Abu Dhabi re-thinks oil defence policies

BY ANGELA DIXON IN DUBAI

ABU DHABI is re-thinking its policy of defending its oil installations, in the wake of an attack on an offshore oilfield in which at least 10 men died and many others were injured.

Secret discussions have been held with the Americans to explore the possibility of providing defence equipment. The Soviat Union, which opened an embassy in Abu Dhabi this year, elso expressed a willingness to consider any approaches.

Scanning equipment lenr by the British Government for the security arrangements at November'a Areh Gulf Co-operation Council (AGCC) summit, still rings the island, and it is possible that it will now remain there on a more long-term basis.

Radar and telecommunications equipment up to a possible valne of $700m (£496m) is being discussed. There may be a further package which would involve armaments.

Abu Dbabi's non-combatant status in the Gulf War received a severe jolt last month when an installation with five well-heads on the Abu al-Bukhoosh field was attacked by Phantom jats—known to be used by the Iranian airforce.

According to local press reports, only one wellhead was put out of action, but sevaral lives were lost, and tha psychological effect on Abu Dhabi was considerable. There was apparantly some concern that existing defences had been taken by surprise.

Tha seriousness with which the incident is viewed was avidenced by the fact that a meeting of the Federal Cabinet was called to consider tha matter. Naither Iran nor Iraq have claimed responsibility for the attack, but industry and diplomats have littla doubt that Iranian planes carried out tha raid.

Unlike many Ahu Dhahi fields, the Abu al-Bukhoosh field has no government stake. It is an old-type concession which is 51 per cent owned by the French concern, Total Abu al-Bukhoosh, e subsidiary of CFP Total.

The remainder is owned mainly by Canadian and US interests. The raid is thus not interpreted in Dobai as a direct *attack on Abu Dhabi.*

The field straddles the border between Abu Dhabi and Iran, where it is known as the Sassan field. Because of the pressure in the structure, it appears that production on the Abu Dhabi side significantly reduces that on the Sassan field. At the time of the attack, Abu al-Bukhoosh was producing about 57,000 barrels a day.

Iran has offered to repair the damage, but before they resume operations on the field, the concessionaires have requested undertakings that forther attacks will be ruled out.

The Government of Ahu Dbabi could naturally not make such a guarantea unilaterally, but there have been negotiations on the re-opening of the field.

The most likely solution at this stage is seen to he some sort of production-sharing arrangement, which would allow Iran a larger shera of the off-take than it has been receiving.

A precedent for prodnction-sharing between Iran and the Emiratas already exists, on the Muharak field in Sharjah. This arrangement has been successfully operating for some 15 years.

In the Gulf conflict, the United Arab Emirates has maintained a largaly nautral atance, and both Iraq and Iran have diplomatic representation thare.

Although Abu Dhabi bas heen known in the past to bave made some payments to Iraq, its assistance never approached the axtant of that proffared by its naigbbour, Saudi Arabia.

Manila accuses guerrillas of violating ceasefire

BY RICHARD GOURLAY IN MANILA

THE PHILIPPINES yestarday accused Communist rebels who marched through a villaga brandishing thair firearms of violating a temporary ceasefire for tbe second time in six days.

Mr Rafael Ileto, Defence Minister, protested under the rules of the newly-establlshad national ceasefire committee after some 40 armed New People's Army (NPA) guerrillas held a meeting under a rabel flag in a village ahont 50 miles north of Manila.

Tha ceasefira committee is dua to pohlish guidelines on how to implement the truce today, a week after tha 60-day caasefire came into effect.

However, its members made up of military rebels and civilians, hava so fer failed to agree wbara the country's estimated 22,000 rebels are allowed to carry their guns.

Robert Thompson in Peking reports on a new challenge to China's pragmatic leadership from the country's students

Call for democracy poses dilemma for Deng

Unexpected public signs of ideological polarisation surfaced in China recently with calls for a return to the ethos of the Cultural Revolution in the arts on the one hand and student demonstrations demanding political freedoms and democracy on the other. This poses a dilemma for the reformist leadership under Deng Xiaoping. It cannot complete its economic reforms without some reform of political structures, but it cannot move too quickly because of the residual pockets of support for the old ideas, often at senior levels within the party

STUDENTS in two major Chinese university cities last week adopted the traditional Western method of student protest and took to the streets to demand democracy as the political price for the Government's reforms in other areas of life in China.

Although wall posters supporting the students at Peking University were quickly torn down at the weekend, the movement received surprising semi-official endorsement this week when the People's Daily, the official Communist Party newspaper, said universal suffrage, democracy and freedom are concepts that reflect human needs and should not necessarily be considered bourgeois.

The newspaper commentary quoted paramount leader Deng Xiaoping as saying that scientific knowledge and management methods from other countries do not have "class characteristics."

"Some of the institutions and concepts formed under bourgeois rule were of course needed by the bourgeoisie but also reflected what humans at that time needed inorder to handle relationships between people," the People's Daily said. "The system of universal suffrage is one example."

China is officially in the midst of the "four modernisations" – the development of agriculture, industry, science and defence. But the large protest marches highlighted the push for what is known as the "fifth modernisation" – democracy – to the embarrassment of Peking's powerbrokers.

Posters on the Peking University campus call for reform of the Chinese press and democracy for rural areas

The rare marches by several thousand students in Hefei, the capital of the relatively backward province of Anhui in the east, and Wuhan, capital of the central province of Hubei, show that liberal ideas have entered the "open door" and raised the political consciousness of better-educated Chinese. The protests have also helped create a setting for increased ideological conflict in Peking.

The marches were notable for the bravery of the students, who realise that they are jeopardising career prospects by rousing a Communist Government which may have some liberal tendencies but which also has a grand plan that calls for slow and steady development and makes no room for such protests.

Students carried banners bearing slogans such as "we demand democracy" and "no democracy, no modernisation" in a campaign to change selection procedures for student candidates for the local People's Congress, which is something like a city council. The students want to elect their own candidates instead of having the candidates chosen for them by university authorities.

The protests, one on December 5 and another four days later, were peaceful, and police helped by directing traffic away from the marchers. However, one report suggested that windows had been broken in the grounds of a university.

Spontaneous calls for democracy have been rare since the crushing of the "Peking Spring" in 1978-79, when a "democracy wall" was covered with posters calling for political freedom and the like and when many presumed that such freedom of expression was to be allowed by Deng Xiaoping and his reformers.

The symbol of that spirit was an activist electrician, Wei Wingsheng, who was, coincidentally, born in Anhui and is now serving a 15-year jail sentence for treason for allegedly passing military secrets to a foreign correspondent. In reality, his activism was his crime. Ironically, "democracy wall" is now plastered with billboards advertising everything from electric fans to fridges.

Despite this week's comment by the People's Daily, diplomats believe that China's pragmatic leadership may be embarrassed by the Anhui protests, which could be cited by more conservative leaders as good reasons to slow the movement towards a more open society and to put greater emphasis on the development of ideology.

The conservatives, or ideologues, consider that reform has gone too far, too fast, and they would no doubt see sucht protests as proof that the country has lost ideological direction and that the young need a high-protein diet of Marx, Lenin and Mao Tse-tung thought.

Canton attack on 'capitalist culture' has political overtones

BY COLINA MACDOUGALL

THE CAUTIOUS liberalisation of the arts in China – with writers and artists being officially encouraged to express themselves freely again – provoked an attack last week against "capitalist culture" and a call for the return of some of the ideas of the Cultural Revolution.

The battle, ostensibly about culture but carrying significant political overtones, erupted in Canton in southern China. In an article in a Canton paper, the latest volley demands the return of the Cultural Revolution "model dramas" and attacks disco dancing and pop music as "the comeback of capitalist culture."

Renewed performances of the "model dramas" devised by Jian Qing, wife of the late Chairman Mao and evil genius of China's destructive 1966-76 Cultural Revolution, were vociferously defended in an article in the Yangcheng Evening News earlier this month.

The "model dramas" such as The White-Haired Girl and Taking Tiger Mountain by Strategy were famed for their posturing and predictably heroic socialist characters.

In language scarcely heard since paramount leader Deng Xiaoping took over in 1978, the author, Shu Zahn, attempted to rouse opinion against China's present official arbiters of culture.

"We must not allow the bourgeois authoritative persons to occupy our art positions... We must meet their challenge and launch a counterattack," he said, proposing the nationwide showing of the model drama to create "revolutionary public opinion in a big way."

The eight model dramas were the only stage shows allowed during the Cultural Revolution. While Shu said they were "unreasonably linked" with Jian Qing and the events of those years, there is no question that she was their chief promoter.

Excerpts from these dramas were broadcast earlier this year in Canton and caused protest from those who had suffered in the Cultural Revolution. Apart from these transmissions, and a few performances in modernised versions, they have not been staged since 1976.

This issue is being raised at the same time as student demonstrations in Hefei, capital of Anhi province in east China, called for more democracy. These were apparently sparked by dissatisfaction about procedures for choosing candidates in local elections.

This suggests the hardening of both pro-reform and anti-reform-feeling in China, where some believe liberalisation will rescue the country from backwardness while others still pin their hopes on traditional Chinese-style socialism.

It is particularly significant that the latest argument about the ideological position of culture should have broken out in Canton, which has always been at the forefront of literary debate in the country.

Wang Meng, present culture minister, is a prominent Chinese writer – principally of short stories. He was labelled a rightist as early as 1959 and was not rehabilitated until 1979 when he returned to appear in progressive publications such as Flower City, published in Canton.

Wang is now supporting a new "100 flowers" movement under which diversity of artistic expression is openly encouraged – although writers, dramatists, choreographers and film producers are still expected to be suitably respectful towards current Chinese political thought. The changing of firm conclusions so they more neatly reflect official doctrine still occurs, for example.

But the new flowers are blooming so rapidly with modern music, unorthodox painting and western themes involving sexuality, adolescence and satire gaining in popularity that some "roll back" effect to the strictly controlled ideology of the cultural revolution days was inevitable.

India warns Tamil rebels against new Sri Lanka fighting

BY MERVYN DE SILVA IN COLOMBO

THE INDIAN Government has warned the Tamil Tigers, the most powerful of the Sri Lankan separatist rebel groups, against continuing the bloody fratricidal fighting in the island's north and east, which has already claimed over 70 lives in three days of pitched battles. The Tigers have clashed with the left wing EPRLF, capturing 30 of its members in Jaffna, the northern stronghold, and forced 300 EPRLF rebels to surrender.

The stern Indian warning came on the eve of the next round of talks in Colombo between President Jayewardene and Prime Minister Rajiv Gandhi's two top mediators in the island's ethnic conflict, Mr Natwar Singh, Minister of State for External Affairs, and Mr P. Chandambaram, the Internal Security Minister, who is a leading politician in the south Indian state of Tamilnadu. The Tamilnadu capital, Madras, is the home of over 100,000 refugees and the entire Sri Lankan Tamil leadership, both parliamentary and the guerrilla groups.

Mr V. Prabhakaran, the leader of the Tigers who lives in Madras, enjoys the political patronage of the Tamilnadu Chief Minister, Mr. M. G. Ramachandran, another key figure in the negotiations on the Indian side.

The Tigers, who demand recognition as "the sole representative of the Tamil people" decimated another rival group, Telo, killing 120 of its members including its leader, Sri Sabaratnam, earlier this year. Telo was accused of following "the Indian line."

The same charge has now been levelled against the EPRLF. The military supremacy of the Tigers, already established in the north, will make Indian chances of successful mediation more difficult if the Tigers extend that surpemacy to the eastern province. The EPRLF is quite strong in this region.

The Tigers insist on a merger of the Tamil north and the Tamil areas of the east in the name of a "Tamil homeland." The other rebel groups would support the Indian compromise of "linkage" between the two non-contiguous areas, probably by means of a "corridor."

President Jayewardene has offered to carve out the eastern province and grant an autonomous provincial council for each of the three communities, the Tamils, the Muslims and the Sinhalese.

The situation in the intensely contested eastern province has been further complicated by recent Tamil-Muslim clashes that left 11 Tamils and eight Muslims dead. Today the Muslim District Minister of Kalmunai, the scence of the clashes, asked Mr Jayewardene to appoint an independent inquiry committee since he is not satisfied with the official version of "communal clashes."

A Muslim opposition MP told Parliament that the Tamil-Muslim clashes, unprecedened in Sri Lankan history, have been instigated by Israeli security advisers. The opposition leader, Mr Anura Bandaranaike, voicing the same opinion, threatened to "expel" the Israelis when his freedom party (SLFP), which has ruled the island thrice, assumes office again. Muslim organisations, who have the support of Arab and Islamic diplomatic missions here, have accused the Israelis of trying to convert the eastern province to a "little Lebanon."

The eastern province Muslims, who are Tamil-speaking, have now formed an independent "Muslim congress" while intelligence reports say that a new armed Muslim youth group calling itself "the Party of God" is also active. The Party of God, which was initially pro-Government, has now become autonomous and pro-Iranian.

The Tigers rebel group, seeking to establish itself as the representative of Sri Lanka's Tamil community on the eve of peace talks, has inflicted heavy casualties on its main rival, residents said yesterday, Reuter reports form Colombo.

State-run radio said about 75 people had been killed in fierce battles between the Liberation Tigers of Tamil Eelam and the Eelam People's Revolutionary Liberation Front in northern and eastern areas.

Residents said the weaker EPRLF suffered most in the fighting, which has raged since Saturday in the north and east. About 500 EPRLF members surrendered or were captured when the Tigers overran about 50 of their camps, the residents said.

Carbide responds to Indian damages suit and alleges sabotage

UNION CARBIDE repeated charges yesterday that the 1984 Bhopal gas leak was caused by sabotage and demanded that the Indian Government bear part of the responsibility for the world's worst industrial accident, AP reports from Bhopal.

In a statement filed in Bhopal District Court, the US-based multinational claimed that factory log books had been altered just before the lethal gas leaked on December 3, 1984.

"The facts clearly establish that the emission of MIC (methyl isocyanate) gas was the result of a deliberate act," said the statement, signed by Mr O. Jules Bomary, Carbide's company secretary.

The 169-page statement was in response to the Indian Government's suit filed in Bhopal last September seeking more than $3bn in compensation for victims of the disaster.

At least 2,500 people were killed and 40,000 seriously injured in the gas leak from a Carbide subsidiary's pesticide plant in Bhopal. Thousands of people living around the sprawling factory are still suffering from effects of the gas.

Judge G. S. Patel has set January 7 as the deadline for India's response to the Carbide statement. Arguments in the case are scheduled to begin on January 12.

India initially wanted the case tried in the US but New York District Court Judge John F. Keenan ruled last Amy that India was the proper forum.

Three months earlier, India had rejected Carbide's offer of a $350m out-of-court settlement.

The Government contends that criminal negligence by Carbide's management, bad plant design and faulty safety mechanisms led to the gas leak. It says Carbide must bear complete responsibility.

Carbide has charged before that sabotage caused the gas leak, claiming at one point that it could have been the work of Sikh extremists waging a guerrilla war for an independent Sikh nation in northern Punjab state.

Some logs important to reconstructing the incident are missing, the statement said.

Shultz declines comment on Iraq intelligence claim

BY OUR FOREIGN STAFF

MR GEORGE SHULTZ, the US Secretary of State, yesterday declined to comment on reports that Washington had been secretly supplying Iraq with valuable military intelligence for the past two years.

Other US officials, however, confirmed that the US provided Iraq with detailed reports, including data from spy satellites, about Iranian defences even while Tehran was buying US weapons with President Ronald Reagan's approval.

Mr Shultz was answering questions at a news conference in Washington linked by satellite to European capitals.

He said that he was "not free to comment" on matters of intelligence-sharing. A US official said that the information was derived from sensitive US satellite reconnaissance photography and was useful for Iraqi pilots in bombing raids on Iranian oil terminals and power plants.

Mr Shultz argued that a weakened Iran might be willing to negotiate with Iraq in an effort to end the six-year-old Gulf war. While regarding Iran as "the recalcitrant party," Mr Shultz said Washington wanted each side to emerge with its territorial integrity intact, so there would be no winner or loser.

Meanwhile, a former Japanese Justice Minister said Tokyo Government initiated private contacts with Iran and Syria in summer 1985 in an effort to gain the release of the US hostages.

Trinidad opposition scores landslide poll victory

BY CANUTE JAMES IN PORT OF SPAIN

MR. A. N. R. ROBINSON is to be sworn in today as Prime Minister of Trinidad and Tobago following a landslide victory by his National Alliance for Reconstruction Party in Monday's general election.

The NAR, a coalition of four parties, took 33 of the 36 seats in the House of Representatives, ending 30 years of dominance of the country's politics by the People's National Movement Party.

Among the major casualties in the election were Mr George Chambers, the outgoing Prime Minister and two deputy leaders of the PNM who all lost their seats.

Mr Robinson, who celebrated his 60th birthday yesterday, is the former deputy prime minister and finance minister. He campaigned against the Government's handling of the country's oil-based economy and charged that there was widespread corruption in the administration.

He also attacked Mr Chambers administration for not doing enough to curb unemployment. "The response of the voters exceeded my own expectations," Mr Robinson said yesterday when the margin of his party's victory was announced. Public opinion polls predicted earlier that the opposition party had taken the majority of the seats.

Mr Robinson faces a difficult first year in heading the Government of this Commonwealth Caribbean republic of 1.1m people. Unless there is an increase in oil prices he will be hard put to stem economic decline.

"What is needed first is the job of reconstruction," Mr Robinson said. "But the job will not be easy and I know we face some very serious problems."

Battle to lead IMF draws to an end

Lionel Barber on the international lending agency's search for a managing director

THE 22 executive directors of the International Monetary Fund (IMF) are to vote today to choose a successor to Mr Jacques de Larosiere as managing director of the Fund.

By some estimates, Mr Michel Camdessus, governor of the Bank of France, is marginally ahead of his rival Mr Onno Ruding, the Dutch Finance Minister.

Both men have fought a tenacious three-month campaign to capture the leadership of the IMF. The struggle has split member countries and led to a protracted stalemate, which is likely to be broken at the straw poll today. A formal vote is expected tomorrow.

There has never before been a contest for the top IMF post requiring a vote. Previous elections have been agreed in private with rivals stepping down at an early stage.

The current battle has come at a difficult time for the IMF, which is facing challenges on several fronts in its role as international lender and co-ordinator of economic reform programmes in debtor countries.

Some senior IMF executives believe that the agency is spending too much time on Third World debt and not enough on international problems linked to the bulging US trade and budget deficits.

Mr de Larosiere announced last October that he was stepping down as managing director about 18 months before his second five-year term was due to expire.

Mr Ruding, chairman of the powerful IMF policy board, the interim committee, was backed by the Dutch Government and by West Germany and the UK.

But his front-runner status began to erode in the face of Mr. Camdessus's candidacy, pushed by France and many of the developing countries.

By one estimate, Mr Camdessus commands 37 per cent of the votes and Mr Ruding 34 per cent. The US, with 19 per cent of the votes, is expected to remain neutral. This is because the managing director's post is usually filled by a European, with the US assuming the presidency of the World Bank.

Under complex voting procedures, each of the 22 executive directors of the IMF board represent blocs of countries. For example, the Nordic bloc is currently headed by Sweden. A Pacific bloc, including the Philippines, is headed by Australia.

The head of the bloc usually casts its vote in line with the wishes of the majority. In the Camdessus - Ruding battle, several members of different blocs have sharply disagreed with their representatives on the IMF board on how to vote, according to IMF officials.

Ivo Dawnay reports on hopes that the Paris Club will reschedule Brazilian liabilities

Funaro set for triumph on debt agreement

BRAZIL is on the verge of pulling off an unprecedented debt rescheduling agreement with the Paris Group of sovereign creditor countries in talks beginning this week.

Well-informed diplomats in Brasilia believe that, for the first time, the Paris Club creditors are ready to agree to the Brazilian request for a rescheduling of $2bn of its $9bn sovereign country debt exposure, without the safeguard of a supervisory economic programme laid down by the International Monetary Fund (IMF).

It is also widely anticipated that many key creditor countries, including the US, will restore trade credit lines suspended in most cases since the debt crisis exploded in 1982.

If the Paris Club does agree to rehabilitate Brazil by rolling over its 1985-86 liabilities without requiring an IMF programme, it will represent a triumph for Mr Dilson Funaro. The Brazilian Finance Minister has long argued adamantly that both political constraints and the Government's strategy for growth rule out any recessionary measures.

Until recently, the messages from national treasuries suggested that few major Western creditor governments were ready to drop the IMF supervision requirement, fearing that this would set a dangerous precedent for other debtor nations. The UK and US governments were among the strongest opponents of a more liberal stance.

Paradoxically, however, a political decision to help restore at least some of Brazil's creditworthiness is understood to have been taken in Washington last month with representatives of the IMF and the US Administration — because and not despite of the deterioration of the country's trade balance and foreign reserves position. Brazil's monthly trade surplus of $1bn has now dropped to $210m and reserves have fallen sharply. Mr Funaro defensively says Brazil has reserves of at least $5bn.

President Jose Sarney's Government has been aided by the more conciliatory public position of the IMF towards the economy and an apparently broadly favourable Fund report on Austerity measures taken last month to adjust the economy.

The fiercely hostile public reaction to the package may have served to reinforce those arguing for more liberal treatment. "Dropping the IMF requirement is heresy for the Paris Club," said one diplomat. "But there is a clear view that Brazil needs and deserves a breathing space."

A Paris Club deal—still by no means certain—would only cover the first hurdle for Brazil in what promises to be a difficult series of negotiations with its commercial bank creditors, holders of the vast bulk of the country's $104bn liabilities.

Discussions with the commercial banks are expected to begin in the New Year against a background of mounting concern among the major creditors in New York and London over deteriorating trends in the Brazilian economy.

Brazil is thought certain to ask for terms at least as good as those recently accorded to Mexico—a 20-year rescheduling with seven years' grace on principal repayments and spreads of not more than [illegible] above the London Interbank Offered Rate (Libor).

But while the strong performance of the economy in the summer appeared to leave many bankers predisposed to be generous, the downturn in the indicators since then has been greeted with alarm. Apart from the deterioration in the balance of trade, bankers are privately expressing their concern over the concealed inflationary pressures that the price freeze has created.

The tough November price and tariff adjustments, approved by the IMF, were described as "too little and too late" by one major creditor. There is also widespread worry that the Government lacks the political will to force through further uncomfortable measures.

Furthermore, in the wake of the heavy arm-twisting that accompanied the Mexican agreement, the large banks are now experiencing serious resistance from smaller creditors to another generous multi-year deal, particularly if, as many expect, Brazil now requests new money.

"A lot of banks are determined not to allow Mexico to be taken as a benchmark," one New York banker said last month.

Before any agreement can be reached with the commercial banks on the main debt issues, Brazil will have to resolve the longstanding squabble over its liabilities derived from the 1985 collapse of three private banks — Comind, Auxiliar and Maisonnave — with foreign liabilities of some $450m.

Brazil's strongly argued case, both moral and pragmatic, for a substantial reduction in its debt remittances abroad from this year's projected $9bn to a target of about $5bn, has clearly been understood in Washington.

But the international banking community may well prove harder of hearing — a simple one-year rollover may be the best it can offer.

Brazil's talks are the most important in a busy round with debtor countries following the completion of negotiations on Mexico's $12bn (£8.39bn) package, reports Alexander Nicoll.

Nigeria is also beginning Paris Club talks this week. Banks' commitments to the country's recently agreed rescheduling and loan package are believed to be close to the so-called "critical mass" of 90 per cent.

Mr William Rhodes, chairman of Citibank's restructuring committee, has cited the Nigerian deal and accords being finalised with Morocco as examples of the case-by-case approach to debt reschedulings, underlining the bank's argument that Mexico's package would not set a pattern for other creditors.

Citibank emphasised its point by refusing to accept a Philippine request for "Mexican terms." Banks and the Philippines have now, however, broken the deadlock which this refusal caused, and talks will resume in the New Year.

Argentina has indicated that it wants to link new financing to export earnings, as has Mexico. It is negotiating with the IMF for a 15-month standby credit. A successful outcome would trigger negotiations with the banks on a multi-year rescheduling agreement and on new bank loans.

US trade deficit hits record

By Lionel Barber in Washington

THE US current account, the broad measure of trade in goods, services and capital, showed a record deficit of $36.28bn between July and September, the Commerce Department said yesterday.

The total is 5.4 per cent higher than the revised $34.41bn for the previous quarter, itself a record, underscoring the US's position as the world's largest debtor.

The current account deficit for the first nine months of the year already totals $104.73bn. Some analysts are predicting the full year's deficit at more than $140bn.

The Commerce Department also reported that construction of new houses fell by 1.8 per cent during November, following a sharply revised fall of 2.2 per cent in October. The department had previously said that October starts were down by 0.2 per cent.

Yesterday's figures mark the third consecutive monthly decline in housing starts.

Meanwhile, Mr James Miller, director of the Office of Management and Budget, warned that he would resist any move by Congress to relax the $108bn deficit target in the Gramm-Rudman law. He said that the target offered the "discipline necessary to get down to core government."

WORLD TRADE NEWS

Toshiba-led group to build TV component plants in China

BY CARLA RAPOPORT IN TOKYO

A JAPANESE consortium, led by Toshiba, has won an order to build three television component plants in China, estimated to be worth between $200m and $300m.

Tha ordar, tha largast manufacturing daal with a Japanesa group to date, provides fresh evidence that China is starting to step up the pace of foreign plant purchases. These had fallen off markedly in 1986 because of the rapid decline in China's foreign reserves.

Only a few weeks ago, Matsushita Electric agreed to build a $100m television components plant in Peking. Last weak, Minolta said it would hagin assembling cameras in Shanghai in a joint vanture with tha Shanghai Investment and Trust Corp and Shanghai General Camera Factory.

A Toshiba executive said yesterday: "Tha China market is gradually revitalising."

The new plants, located in Xianyang, Shanghai, and Nanjing, which make cathode-ray tubes for colour televisions. Their combined annual capacity will be nearly 4m units.

The Matsushita plant, to be located in Peking, will produce 1.8m units a year by 1989.

China produces 5m colour televisions a year. Its output of cathode-ray tubes, however, is only 1.2m a year and the remaining units are imported.

The aim of the naw projects is to replace imports with locally-produced goods and gradually build up capacity to export the components or the finished products.

Toshiba's partners in the deal are Nichimen and Mitsui Corporation, two major Japanese trading companies.

The deal was signed in Peking yesterday by the Japanese companies and representatives of China's Ministry of Electronics Industry and the National Technical Import Association.

Toshiba yesterday refused to put a value on tha daal, but industry executives believe it is worth between $200m and $300m.

The Japanese are currently in talks on turning the Nanjing project into a joint-venture, but the other two are expected to be turnkey projects.

Toshiba said its consortium faced competition from Japanese, European and US companies.

John Brown wins China £45m turnkey contracts

BY NICK GARNETT

JOHN BROWN Engineering has secured turnkey contracts worth a total of £45m with China's Ministry of Petroleum to supply power generation equipment at three of the country's oilfield installations.

The contracts, won in the face of Wast German, French and Japanese opposition involve John Brown, part of the UK Trafalgar House Groop supplying gas turbines and general engineering work valued at about £15m. The turbines will be made at the company's Clydebank plant in Scotland.

The boilers will be supplied by Standard Fasel of the Netherlands, the steam turbines by Siemens of West Germany and most of the electronics by Hawker Siddeley.

The 235 MW power generation equipment will be used to produce power for oil pumping machinery and for district power grids. Some of the steam will be used in local heating schemes.

John Brown was in competition with a number of companies including AEG of West Germany and Alsthom of France. Mr Allan Gormly, John Brown's managing director described it yesterday as "a very worthwhile piece of business."

Securing orders for gas turbines has become extremely competitive in a shrinking market. Five years ago 15,000 MW of gas turbines were ordered on the international market but in the past two years this has fallen by two-thirds.

Japanese in loan talks with Indonesia

By John Murray Brown in Jakarta

JAPAN'S Exim Bank is negotiating a new concessionary loan with Indonesia, according to officials in Jakarta.

The loan, believed to be as much as $1bn (£699,300), is to cover the local costs of World Bank projects and would not be specifically tiad to the purchase of goods and services from tha lender country.

This would be the first time that Indonesia has been offered an "untied" soft loan.

Indonesia currently demands that soft loans be offered at 3½ per cent repayable over 25 years with seven yaars' grace.

This new "untied" soft loan comes in the wake of a dramatic reduction in Japan's private sector investments in Indonesia — from $460m in 1983 to $63m last year.

Economists say the loan is further evidence of Indonesia's key rola es e supplier of Japan's raw materials, particularly oil and liquified natural gas. Of Japan's Exim Bank's total $4bn exposure in Indonesia, 60 per cent is used for export credits for Indonesian commodity sales to Japan.

Indonesia is, in fact, calling on all countries to cover some part of the local costs of any soft loan projects. West Germany which signed a DM 300m (£103.8m) mixed credit package has said it will cover local costs "on a project-by-project basis."

50% investment rise foreseen

FOREIGN direct investment by leading Japanese manufacturing companies is likely to rise by 50 per cent this year, according to tha Bank of Japan, Ian Rodger reports from Tokyo.

This increase was attributed to the negative impact of the high yen on Japanese competitiveness and the desire of companies to reduce trade friction.

The central bank said that the total valne of overseas investment planned by 386 leading manufacturers for the current fiscal year to March 31 would reach $2.99bn—50.2 per cent higher than in the previous fiscal year, and 21.2 per cent higher than the finding in the previous bank survey conducted in August.

Cairo and Moscow to boost trade

BY TONY WALKER IN CAIRO

EGYPT AND the Soviet Union yesterday signed a protocol for 1987 which envisages two-way trade of £533m, a 20 per cent increase on this year.

The increase coincides with a general improvement in relations between Cairo and Moscow. Several high-level Soviet officials have come to Egypt this year in an effort to refurbish links damaged dnring the rule of late President Anwar Sadat.

Egypt and the Soviet Union are still in dispute, however, over military debt. The Soviets are also unhappy at the inflated rate of exchange at which Egypt calculates its exports through a special pound sterling clearing account.

Egypt calculates its trade with the Soviet Union at the rate of E£0.70 to the pound starling. Tha free market rate is about E£2.75 to the pound sterling.

Discussions are due to continue in Moscow next month on these outstanding problems.

Egyptian officials say that military debt is between $1bn to $1.5bn while independent observers put the figure as high as $3bn.

President Hosni Murbarak said recently that the Soviets had proposed a six-year moratorium on debt payments and that Mr Mikhail Gorbachev, the Soviet leader, had also suggested waiving interest payments on the military debt.

Soviet officials in Cairo were not available for comment on Mr Gorbachev's reported offer. Egypt, in any case, stopped making principal and interest payments to he Soviets during tha Sadat era.

Egypt exports textiles, foodstuffs and cotton to the Soviet Union. Imports include spare parts for Soviet machinery supplied during the 1950s and 1960s and coal.

● International companies have been asked to submit detailed proposals for extensions to a plant to increase Egypt's hus and truck prodnction.

Mr Ezzedin Haikal, chairman of the el-Nasr Automotive Manufacturing Company (Nasco), said the deadline for final submission was February 20.

Nasco is expecting offers from West Germany's Maschinenfabrik Augsburg—Nürnbarg and Magirus-Deutz, Renault of France, Volvo of Sweden, Iveco Fiat of Italy, Steyr-Daimler-Puch of Austria.

Egypt wants to manufacture, with foreign assistance, 200 hp and 300 hp trucks and buses. Nasco and Magirus-Deutz are et present producing 2,500 trucks and 900 buses, plus 1,200 engines each year. Mr Haikal said Nasco wanted to produce 3,000 buses a year, starting in 1988, and to increase truck production.

Gatt remains divided on agriculture policy

BY WILLIAM DULLFORCE IN GENEVA

THE PROGRAMME for dealing with agriculture continned to divide the world's trading nations yesterday only three days before the December 19 deadline by which they are committed to announcing detailed negotieting plans for the new Uruguay round of trede liberalisation.

So far the European Community has not budgad from its position that the agricultural talks must start by identifying the problems and tackle the "structural surpluses," the huge stocks of cereals, meat and dairy products created by farm support policies. The US wants the negotiating plan for agriculture to include a commitment to eliminate national subsidies to agriculture.

Earlier this month tha key players, the US, the EEC and the Cairns group of 14 farm product exporters led hy Australia, discarded a plan proposed by the General Agreement on Trade and Tariffs (Gatt) secretariat, which called for the relevant issues to be identified by next June and proposals for strengthening Gatt control over agricultural trade to be framed hy summer, 1988.

By yesterday the three blocs had still not agreed how to reconcile the US and Cairns group's desire for a precisely worded negotiating programme with the EEC's insistence on only vague commitments to subject matter and timetable.

No progress was made at the first meeting yesterday of the group of negotiations on goods (GNG) which opened the three-day final rush by trade officials in Geneva to meet the December 19 deadline set by trade ministers at Punta del Este in September.

Equally disturbing yesterday was the failure of the US to modify its hard lina on the surveillance mechanism to be put in place to supervise countries' compliance with the commitments taken at Punta de Este not to introduce further trade measures inconsistent with Gatt and to start eliminating existing rade practices that contravene Gatt.

The US argues that surveillance of these standstill and rollback commitments is a political issue which can only be entrusted to the Trade Negotiations Committee (TNC), the overall supervisory body for the Uruguay round, which can meet at ministerial level.

Sweden signs new gas contract with Denmark

BY SARA WEBB IN STOCKHOLM

SWEDEN has agreed to buy 200m cubic metres of Danish natural gas a year over the next 20 years, bringing total Swedish imports of Danish natural gas up to 600m cubic metres a year.

The deal is worth between SKr 2bn and SKr 4bn ($289m and $579m), with the price tied to an agreed index.

The new contract is for the Sydgas 2 and Vaestgas 1 projects which will eventually supply the south-west part of Sweden from Malmo to Gothenburg with natural gas. Most of the gas is used industrially.

The gas pipelines are expected to reach Gothenburg by 1988, and may then be extended to Stockholm by 1993 as part of the plan to supply central Sweden.

Swedegas, the Swedish gas distributor which is owned by the state power board, Statoil, Shell International, and Danish Oil and Natural Gas (Dong), has an option to buy a further 100m cubic metres of natural gas a year from the Danish supplier Dangas, which it may take up by the end of 1987.

While natural gas accounts for less than 1 per cent of Sweden's current energy needs, the Swedes are considering natural gas as one of the main alternatives to nuclear power in future, especially since the Government is committed to phasing out nuclear power by the year 2010.

Midland Bank subsidiary to fund Turkish motorway

BY PETER MONTAGNON, WORLD TRADE EDITOR

Mildand Bank Aval, the forfaiting subsidiary of the UK clearing bank, is arranging a $295m loan package to finance construction of a further 147 km section of the Anatolian Motorway project in Turkey.

The deal, mandated to Mildand by Turkey's Dogus Construction and Trading Company, will be guaranteed by the Turkish government. It includes a $122.5m export credit portion as well as a $172.5m, six-year syndicated Eurocredit.

It will finance the section of the motorway from Edirne on Turkey's European boarder to Kinali outside Istanbul. Construction is due to begin shortly

About $175m of the cost involves the purchase of eqnipment, materials and services from foreign sources. George Wimpey International of the UK has been retained by Dogus as the main sub-contractor for this section as well as procurement, co-ordinating and technical supervisor.

The Eurocredit bears an interest margin of 1¼ per cent over London Eurocurrency deposit rates, while the export credit, expected to be provided by a group of several national agencies, including Britain's Export Credits Guarantee Department, will have a maturity of seven years.

The Anatolian motorway project is part of the Trans-European Motorway venture.

Japan's car exports to EEC plunge

By Ian Rodger in Tokyo

JAPAN'S car exports to the Europeen Community plunged last month, as self-imposed restraints finally began to bite. The decline is the first since last autumn.

Toyota, the leading producer, said its exports to the EEC in November were 14,289 units, down 32.9 per cent from November 1985. Nissan's exports tumbled 53.9 per cent to 8,216 units and Mazda's 61.9 per cent to 9,729 units.

Japanese car exports to Europe have been rising sharply this year because Japanese producers shifted their sales efforts from the US to Europe.

The shift was partly because of renew growth in European economies and partly because the yen had not appreciated against European currencies as much as it had against the dollar.

European governments and the European Commission protested abont the surge early this summer, after which Japanese car makers, under Ministry of International Trade and Industry guidance, apparently agreed to restrain exports to the EEC to 10 per cent above 1985 levels.

It has taken some time, though, for the restraint to appear. Customs cleared car exports to the EEC in October were up 46.6 per cent in dollar terms to $338.3bn.

Industry sources said exports to the EEC were likely to be depressed next month.

US-Brazil IT row discussed

The outcome of talks in Brussels last weekend aimed at defusing a long-running trade row over information technology between the US and Brazil will today be discussed by the US's Economic Policy Council, Ivo Dawnay reports from Rio de Janeiro.

Its conclusions will influence the recommendation of Mr Clayton Yeutter, the US Trade Representative, to President Reagan whether to take retaliatory measures against the Brazilians.

Washington has long criticised Brazil's informatics law as a restraint on trade. The US has demanded clarification of legislation and opportunities for US companies to take part in Brazil's $2bn domestic market.

TECHNOLOGY

How plastic surgery changed the face of seal manufacturing

Peter Marsh examines the automation methods by which Hallite has made up for its late entry into the market

FEW engineers have experienced as daunting a challenge as that faced by Vic Clark about 18 months ago. He set out, by a combination of automation and design techniques, to move his company into a new generation of products to enable it to catch up with competitors.

Mr Clark appears to have succeeded, to the point that a modest investment in new computer-based equipment of £500,000 brought about in one year a 15 per cent increase in production and cost savings of no less than £385,000.

He is production director of Hallite Seals International, part of the Hampton, Middlesex-based Hallite group, which sells each year about £8m worth of seals for hydraulic machinery. The items, used to stop escapes of air or fluids from hydraulic cylinders in machines such as bulldozers or roof-supports in mines, are normally a few inches in diameter and cost a few tens of pence.

Total worldwide sales of hydraulic seals add up to an estimated £350m a year. Moreover, the business is fiercely competitive, with Hallite (which sells roughly half of its seals outside the UK) among the world's top six or so makers of hydraulic seals. The others include Parker of the US, Dowty of Britain and West Germany's Freudenberg and Merkel.

A key problem for Hallite was that it was relatively late into making plastic seals, instead relying on rubber, the traditional material for the product. Rubber seals have been made for decades by relatively labour-intensive moulding techniques, while plastic seals, which have become increasingly popular in the past five years, can be turned out in high volumes and at relatively low cost using modern extrusion machinery.

When Mr Clark and a team of Hallite engineers set out to take the company into the plastic seals business, they designed, by a mixture of computer know-how and back-of-the-envelope sketches, a new type of plastic seal. This, claims Mr Clark, works better than the seals of competitors.

The team also introduced modern automation techniques, both to fashion the tools required for new plastics extrusion machines and to keep track of the thousands of different types of seal that Hallite makes at any one time.

The new plastic seals now account for about 15 per cent of Hallite's total production (the rest being rubber seals) and Mr Clark says that within a few years the proportion should climb to half. The savings in production costs are due to factors such as a reduction in the work placed with subcontractors — which, with its new equipment, Hallite can now handle in-house — and to reduced stock, mainly in the form of raw materials and incomplete seals lying around in different parts of the factory.

Mr Brian Small, managing director of Ingersoll Engineers, a UK engineering consultancy, says Hallite "has grasped the central points" about linking up its product design, manufacture and factory control systems. Mr Small was among the judges which recently placed Hallite among the prizewinners in a production-technology competition organised by the Institution of Mechanical Engineers.

At the centre of Hallite's achievements is a new plastic-seal design, worked out by Mr Nick Peppiatt, product design manager.

Hallite had found it vital to follow other manufacturers into plastic seals, sales of which are rapidly rising, even though they account for only about a quarter of the world market for hydraulic seals. While the rubber versions are still the mainstays in specialised hydraulic equipment, in mines for instance, plastic seals are becoming increasingly in demand for equipment such as earth-moving vehicles and fork-lift trucks made by companies like JCB, Case, Massey Ferguson and Lansing Bagnall.

Vic Clark, production director of Hallite Seals International. The £500,000 system he introduced has brought savings of £385,000 in just one year

While some of Hallite's new seals are all-plastic, it is placing great store on a novel design which is a combination of plastic and rubber. This follows other types of seal in the industry in having a thin rubber insert pushed into a plastic ring. The idea is that the plastic resists wear, while the rubber, being elastic, deforms slightly under pressure (springing back afterwards) to ensure close fitting.

In many competing seals, however, the rubber insert, in the form of an O-ring, is pushed into the plastic part in a separate assembly process after extrusion is finished. Hallite's engineers reasoned that this did not give a particularly tight fitting—and that the manufacture was unnecessarily complex.

In the Hallite product, the rubber part protrudes as a "lip," which makes for a closer seal. Moreover, the component can be produced more easily; the rubber inserts are made first and then loaded into injection-moulding machines which push plastic into the right shape around them.

The new plastic seals are made using a set of nine injection-moulding machines, supplied by Battenfeld, of Austria, at a cost of about £330,000. The machines are highly automated and normally run 24 hours a day, virtually untended for much of the time. In charge of the machine shop is Mr Steve Smith, who was recruited to this job from the more lowly post of factory floor operator.

The dies for the moulding machines have to be changed continually, to take into account that customers demand seals made in thousands of different shapes and sizes. New dies are first worked out using a £60,000 Selenia Antotrol computer-aided design system. After this, instructions determining the shape of the dies are passed automatically to an Alfred Herbert computer-controlled lathe, which turns out the tool to the required shape from a steel blank.

In the next few months, Hallite intends to spend £170,000 in replacing the lathe with a more versatile machine tool (a turning centre made either by Yamasaki or Hitachi Seiki) which will reduce the total time required to produce a new die from the current 30 hours to about three hours.

The final part of the automation system is a data network which sends around the factory information about the production of different types of seals, linking up in this way a variety of men and women such as production planners, marketing staff and people in charge of stores and relations with customers.

Mr Clark says the network, which connects a variety of computers made by NEC, Apricot and Honeywell, ensures that fewer hiccups occur as a result of problems such as customers' orders being wrongly routed or the warehouse suddenly finding it has run out of raw materials.

WORTH WATCHING

Edited by Geoffrey Charlish

US designs on productivity gains

INTERGRAPH, the US-based computer-aided design (CAD) company rated number two in world sales, is offering new software called Engineering Modelling System (EMS).

EMS allows greater design productivity by integrating previously separate software tools into one, comprehensive package.

In CAD, there are three basic ways of presenting designed objects on screen. The simplest is "wire frame," in which, basically, all the edges of the object are constructed using keyboard and graphics devices. The second is surface modelling, which fills in the surfaces between the edges, and the third is true "solid" modelling where the designer works in terms of solid, 3D representations of components which he joins together to form the whole object.

To move from one to the other, claims Intergraph, has so far meant moving from one software suite to another, with time-consuming re-definition of the model. With EMS, the designer can work in any of the three methods outlined, and move into either of the the other two just by hitting a few keys.

Points stressed without pressure

GENERAL ELECTRIC company of the US has developed software that allows the characteristics of pressed metal parts of the kind used in the automobile industry to be assessed before any metal is processed.

At present, the only way to find out if the design of the part is satisfactory is to make prototypes and use markings on the sheet metal that will change shape on pressing, revealing stresses. The process, however, is expensive and time consuming.

With the GE software running on computer-aided design equipment, engineers can feed in information like material properties, thickness, frictional data, punch speeds, pressure and geometry, allowing them to test a new design in minutes.

A quick line to market information

DUNS MARKET IDENTIFIERS (DMI), the big marketing information database run by Dun and Bradstreet of the US, is to be provided "on-line" over telephone lines.

DMI stores information about 200,000 of the world's most active trading companies and will now be able to offer fast response compared with sending material through the mail. It will mainly interest those conducting sales and marketing campaigns.

The service will be provided through Pergamon Infoline, an established UK on-line computerised data supplier. Following a pilot run, the full service will be available in March 1987.

Why robots play it by ear at Siemens

ROBOTS with "ears" may soon be at work in factories following the development of an ultrasonic positioning system by a team at the Siemens research laboratories in Munich.

A close-range locating system emitting short bursts of sound above human audibility has been built into the "hand" of a robot. The bursts are reflected by surrounding objects rather like the sonar of a submarine or the high pitched squeaks of a bat. The time the bursts take to return gives the distance so that, after computer evaluation of the signals, the robot knows the range of an object up to 1 metre away to an accuracy of a few tenths of a millimetre.

An advantage, when the unit goes into production, will be its low cost compared with robot vision systems, because the signal processing needed is much simpler. It is also much quicker at less than 0.01 second—a speed that cannot be matched by present day optical pattern recognition techniques.

Record put straight by UK Government

CENTRAL GOVERNMENT in the UK has embarked on its first pilot project in the use of optical discs, at the Public Record Office (PRO). The project contract went to US-based company Data General (UK).

In the first instance the equipment will be used to transfer magnetic tape digital data files from other UK Government departments to optical disc. The discs used will be able to store 1000m characters of data, equivalent to about 60 magnetic tapes.

The PRO, however, is also responsible for large quantities of historical paper documents, ranging from the Domesday Book to the cabinet minutes of the time of the Suez crisis. These paper rolls, books, maps and files occupy over 85 miles of shelving, which is growing at almost a mile a year. An optical disc can hold well over 0.5m pages of A4, so there is the prospect that the 85 miles of storage space could be reduced to a few yards.

Very rapid access to the documents can be provided on screens. The US Library of Congress already operates a similar scheme.

Bar comes up on lost DHSS files

BAR CODE labels will be produced over the next five years at rates up to 400,000 a week by Image Data Systems in the UK. This will amount to over 58m labels in all.

The company has been awarded a five year contract by Her Majesty's Stationery Office to supply the 442 Department of Health and Social Security offices in the UK with labels to identify new monetary benefit case files.

The labels are aimed at solving the "lost file" problem—there can easily be 10,000 live files in an office. Using terminals Social Security officers will pass a reader over the bar's identity and destination codes. The information will go into a computer database so that each file's location will always be known and can be called up on a screen.

Contacts: Intergraph, UK office, 0793 619999. General Electric, Schenectady R & D Centre, (518) 387 6284. Dun & Bradstreet, UK, 01-377 4390. Siemens, UK office, 0932 785691. Data General, UK, 01-572 7455. Image Data Systems, UK, 0482 880408.

MANAGEMENT

Spain in the EEC

Why a co-operative has gone corporate

David White explains Fagor's strategy switch

"THE SIGN of vitality," went one of Father Jose Maria Arizmendiarrieta's dictums, "is not to endure, but to be reborn and to adapt." The co-operative movement that this Basque Roman Catholic priest inspired in the valleys around Mondragon, inland from Bilbao, on Spain's northern coast, has not forgotten the message. In order to face up to the challenge of EEC membership, its main core is transforming itself into something more like an orthodox, big industrial corporation than anything the pioneering father would have imagined.

The principal association of co-operatives has been reorganised into one refrigerators-to-robots group under the name of its best-known product line, Fagor. Under a strengthened central management, the 13 member co-operatives have become three corporate divisions.

The biggest mechanical concern in the Basque country, Spain's top producer, seller and exporter of domestic appliances, with an expertise in production processes it has sold to factories from Chile to China, it remains, however, a group with a difference and a strong sense of loyalty to its original principles.

Employing 6,000 of the 20,000 who take part today in the Mondragon co-operatives, Fagor is a direct descendant of the oldest joint-ownership venture Ulgor, which started making oil stoves 30 years ago.

The priest with the polysyllabic surname had begun by founding a school for teaching the professions in an area depressed and downtrodden after the civil war. The school spawned the first co-operatives and the co-operatives spawned a savings bank, the Caja Laboral Popular, which now forms the backbone of the whole Mondragon co-operative movement.

Mondragon today is a modern, self-contained system, with its own social security facilities and its own training for technicians and executives. On the way it has repeatedly had to tackle the problem of how to square its small-is-beautiful founding philosophy and worker-ownership with the need for economies of scale and efficient management.

A first central management system was set up in 1970 for six co-operatives grouped together as Ularco. However, this was then to supervise a decentralisation process, with new co-operatives being set up as activities were split off. This enabled each unit to specialise and develop its own product and marketing policies.

But, says Javier Mongelos who, as the group's managing director, has been in charge of both reorganisations, the structure was not workable in the face of EEC competition.

The structure of the new-style Fagor, which has annual sales of over Pta 47bn (£246m), took four months of discussion

FAGOR

with worker-members before it was accepted. Reluctant to lose their independence, two co-operatives long held out their opposition to the management plan before eventually agreeing. In the new organisation—with divisional chiefs coming under the managing director, who is appointed by an elected council—each unit keeps its legal autonomy. But although it can leave the group, it has no veto on management decisions.

Announced last month at the group's first ever press conference, the reorganisation is aimed at more efficient use of assets, greater coherence and a more concerted assault on export markets, at lower cost. Fagor is building up commercial networks in the EEC and other big consumption and growth centres, with plans for the Far East and the US. Exports, already accounting for a third of overall sales, are expected to rise to over 40 per cent.

The new corporate approach caps a restructuring programme which has absorbed investments of Pta 12bn in the past three years. "Mature" activities have been streamlined and new ones developed. With its main business in the crisis centre of "white" kitchen products, the group has managed to pull through virtually without shedding jobs—by finding new jobs to be done.

In Government-backed plans for the white goods sector, Fagor heads a grouping of Basque companies, and is the first to have got going with reconversion. In January, all its range of refrigerators will be coming off new production lines, according to Jesus Catania, head of the new consumer division. Its dishwasher line is already modern. Cookers and washing-machines are being reconverted over the next two years. When McKinsey, the consultancy firm, studied the sector for the government, it calculated that Spain had a 25 per cent lag in productivity to make up over EEC producers. Catania reckons Fagor will have gained between 30 and 50 per cent.

In a market still protected by import tariffs (Spain's EEC entry terms provide for dismantling over seven years), Fagor now has a cost advantage over its competitors, he says. He is optimistic that it can hold its leading position in Spain, that imports will eventually not take up more than a quarter of the market, and that Fagor can strengthen its place in the rest of the community.

"We think that in two or three years Fagor's white goods plants will be the most modern and advanced in Europe," says Mongelos.

The electrical domestic appliance side, which now has annual sales of Pta 28.5bn, pulled out of losses three years ago. With a spectacular collapse in the Spanish market, Ulgor (as it was) had already started thinking in terms of the EEC, not only in order to withstand a flood of imports but also to export. Product quality has been upgraded and new products added, such as a combined microwave / standard oven which the company claims it was the first to produce in Europe. It used to sell mainly to developing countries: Algeria, Iran, Latin America. Now 80 per cent of its white goods exports go to Europe, especially to Britain and France.

Fagor's two other divisions bring together its main growth activities. Industrial compon-

(L to r) Jesus Catania, Rafael Leturia and Javier Mongelos: modernising their production lines

ents — from motor parts to data-processing — are already 60 per cent exported, and the aim over the next five years is to increase this to 70-75 per cent and double the current Pta 14bn annual sales. Even faster growth is expected in engineering and capital goods, which includes software and hardware for advanced production systems and new areas such as high-power laser applications in industry.

It is a long way from oil-stoves. Mongelos, himself a man of scientific bent who worked in a government research unit before joining the co-operative movement in the 1960s, says a "basic pillar" of Fagor is its collaboration with Ikerlan, Mondragon's applied technology lab. With about 100 highly-specialised staff, financed partly by the Basque regional government and partly by the co-operatives, mainly through joint programmes, this is where much of the work in areas such as robotising, inspection systems and computer-aided design is done.

This on-the-spot nursery for new technology has played a crucial role in helping to develop spin-off activities to pick up labour that in other circumstances would have become redundant. The Ulgor domestic appliance co-operative, for instance, has been able to reduce its workforce from 3,500 in 1979 to about 2,300 and is due to trim it further, with relatively little pain. The grouping of co-operatives serves to allow one unit to shed workers by transferring them to another. In a company where every worker is also a shareholder, all with an equal vote, it is almost the only way.

Employees pay to join — currently Pta 800,000, a refundable, interest-bearing deposit. Profits, which Mongelos says now work out at 3-4 per cent of group turnover before tax, are distributed according to job input. After putting a compulsory 50 per cent into reserves, the co-operatives pool the remainder. It is then paid out according to job grade, with upward or downward adjustments for performance, as judged by each section head.

In management terms, Mongelos says the system has pluses and minuses. The gain in labour relations is obvious. Apart from the times it has been affected by general strikes, the group

FAGOR

has only ever had one labour stoppage, over 12 years ago. Trade Unions have made few inroads. Used to dealing with employers, whether state or private, as adversaries, the big Spanish unions have a clear dilemma when it comes to co-operatives—which may be one reason why the Mondragon idea has not caught on more in Spain.

Employees are kept regularly informed through seminars, and are brought into decisions such as the way the refrigerator plant was to be remodelled. "This has something in common with the Japanese," says Mongelos.

"But I must say one thing. This is not a calm sea without waves or ripples. We do have conflicts."

Keeping the "purity" of the co-operative formula imposes several constraints. One is the limit to expansion, since the group cannot simply buy up subsidiaries or new factories. Another is built-in labour rigidity. Set up to create employment, the co-operatives have a slow labour turnover, and the workforce is growing older—a potential problem unless they now begin to expand. They are also prevented from buying in top-flight executives because their salaries (known in Mondragon jargon as "labour advances") are well below the market.

Average pay works out the same as in a normal company, but the scale is much narrower. This means a quite senior manager may get less than Pta 3m a year (£15,700) in a post that might outside easily be worth Pta 5m. But qualified executives have to be produced. Not for nothing are training and education at the heart of the Mondragon ethos.

"Our big problem is having to generate our own teams," says Rafael Leturia, 41-year-old head of Fagor's industrial components division. He used to work at the local steel company, then retrained and joined the co-operatives. Staff have to be permanently recycled in the same way, he says. The compensation is that there are then more openings for promotion within the group than there would be in a normal company. "This is one of the basic elements of motivation here."

One result of this internal mobility is that the divide that usually exists in Spanish companies between management and shopfloor personnel is much less accentuated. Out of work, they will often belong to the same "cuadrilla"—a close-knit group of friends who meet to drink or play cards, the basic unit of Basque society.

Material rivalries are also reduced. The maximum pay ratio from the bottom to the very top works out after deductions at about 1:3.5.

"This is one of the most egalitarian systems in the world," Leturia reckons. "It's better than Russia."

Creativity counts for more than cant

BY CHRISTOPHER LORENZ

AS RACILY-WRITTEN business books have hit the European and American best-seller lists over the past few years, a competition has developed between the world's leading management consultancies to spawn a block-buster of their own.

Their motivation is not mere money-making, but image-enhancement: a consultancy is seen as somewhat deficient these days unless it can package its ideas, however serious they may be, in a slick format which can vie on the airport book-stands with the latest Jackie Collins or Harold Robbins.

McKinsey & Co, which is arguably the most heavyweight consultancy of all, led the way in 1982 with In Search of Excellence, written by two of its then consultants, Tom Peters and Bob Waterman. From the same stable came such definitive, but readable, works as Triad Power and, most recently, Innovation: The Attacker's Advantage.

As well as boosting McKinsey's reputation as a fertile seedbed of influential ideas, the books have made their individual authors rich as well as famous.

Last year two Boston Consulting Group staffers followed suit, with the highly-acclaimed Kaisha: The Japanese Corporation. And now Arthur D. Little (ADL) has joined the pack, with a tome to celebrate its centenary.

Breakthroughs! (the exclamation is part of the title) sets out to describe "how the vision and drive of innovators in 16 companies created commercial breakthroughs that swept the world."*

The breakthroughs are all radical, and certainly make an exciting read. They include how JVC overtook Sony in the battle to dominate the world VCR industry; how 3M's semi-adhesive yellow Post-it note pads were developed and launched; how Sir James Black took his idea for Tagamet, the ulcer-healing drug, from an unresponsive ICI right through to rip-roaring success at Smith, Kline & French; how the microwave oven was born; and how Federal Express first took off.

The style throughout is a mixture of Excellence and Soul of a New Machine, Tracy Kidder's gripping story of derring-do in the computer industry. Whether it be Toyota's devastatingly competitive new approach to car production, or Nike's pioneering of trainer shoes, all the emphasis of Breakthroughs! is on the individuals involved, and their heroic triumph against corporate bureaucracy and inertia.

But though the anecdotes make fascinating reading, the book defeats its own object of promoting ADL by refusing, to a perverse extent, to draw worthwhile managerial conclusions.

In an obvious attempt to demolish its competitors' conventional wisdom on such "hot" topics as corporate culture and the motivation of "intrapreneurs," the consultancy concludes that breakthroughs can and have come from any sort of organisation, no matter how apparently unfertile it may be. What the book does not do is tell us what we need to know, namely what type of organisation is more likely to produce more of them.

Felicitous

ADL's claim to "have found no 'corporate culture' that is more felicitous than any other" is not only nihilistic, but waywardly in conflict with some of its own evidence. At one point, for instance, it attacks 3M for stifling Post-it notes for many years, but elsewhere it explains the project's eventual success partly in terms of 3M's unusual tradition of allowing innovators to seek support from anywhere they choose within the organisation.

It also traces the project's resilience to the way 3M encourages scientists to spend up to 15 per cent of their time on their own pet projects.

Whatever the book may argue in its quest for competitor-bashing, the fact is that the organisation most likely to produce a bundle of breakthroughs is the one whose culture fosters creativity. That is why 3M, Hewlett-Packard, Citibank and others have been so innovative for so long. The same applies to consultancy.

* *By P. R. Nayak and John M. Ketteringham. Published by Rawson Associates, New York, price $16.95. Available in the UK through Infopress. Tel 01-353 2320. Telex 914003.*

US BOATBUILDING

David Owen on major changes in the US marine products business

Brunswick makes a big splash

LAST MONTH'S $775m double splash by Brunswick, the Illinois-based leisure and industrial products manufacturer, landed Bayliner Marine and Ray Industries, the two largest US recreational boat builders. The acquisitions have transformed the highly fragmented $13bn a year American marine products market.

Brunswick, already a leading supplier of marine engines through its Mercury Marine division, has acquired a 12 to 13 per cent share of the US leisure boat business. In the buoyant stern drive sector, where the engine is built into the vessel, Mercury Marine is by far the leading domestic engine supplier. Brunswick should now enjoy a market share of almost 28 per cent.

"This is the most significant change in the leisure boat industry since the introduction of fibre glass," according to Mr Nick Hopkinson, editor of International Boat Industry, a UK-based trade publication. "It gives Brunswick the opportunity to market boat and engine packages."

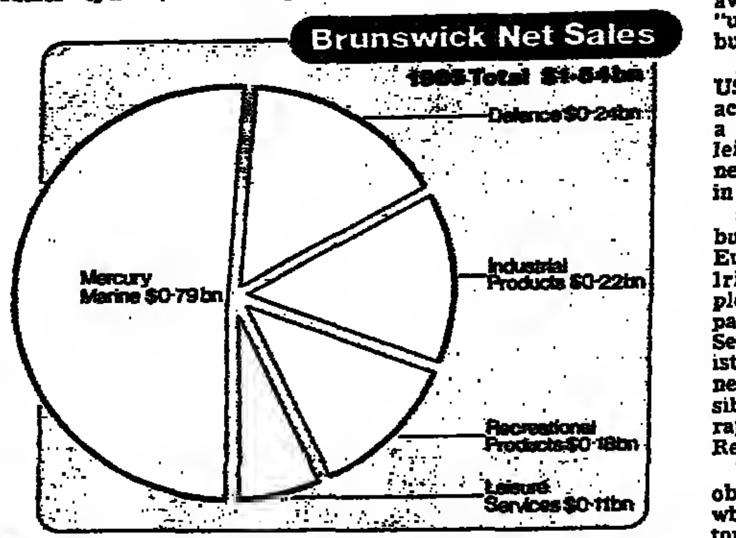
Brunswick has effectively thrown down the gauntlet to the rest of the industry. The cost savings which this element of vertical integration ought quickly to produce promise to give the company an important edge in both boat and engine markets.

Brunswick, whose other products include Zebco fishing reels Brunswick bowling equipment and various defence items, had been widely expected to make a bold acquisition. Mr Jack Reichert, the chairman, said in July that the company was "generating more cash than we can intelligently use." Even so, the size and audacity of the double play took most observers by surprise.

Bayliner Marine, based in Washington, is the world's largest pleasure boat manufacturer. Mr Reichert calls it "the Chevrolet or Pontiac" of the leisure boat industry. The company's sales this year are expected to exceed $450m, including revenues from the outboard engines and trailers which it makes through affiliated companies.

If Bayliner is the Chevrolet of the industry, Tennessee-based Ray Industries is the Cadillac, with its CSEA Ray Boats. Its annual sales were about $400m last year. The two marques give Brunswick a near comprehensive product range with little duplication. "Out of 35 different sized classifications, I think they are against each other directly in eight to 10 categories," Mr Reichert says.

Most investment analysts have greeted the move enthusiastically, despite the marine sector's sometimes unpredictable track record. "The market used to be rather cyclical," according to Mr Stanley Fishman of New York-based Fahnestock. "But nowadays there seems to be so goddam much yuppie money out there."



Boat building margins are enormous. "We've added 25 cents per share to our projection of 1987 earnings. "Last year Brunswick made a record net profit of $100.3m ($2.34 a share) on net sales of $1.54bn.

Perhaps the most intriguing segment of the industry following Brunswick's decisive push is the stern-drive engine market, where the company has experienced some spirited competition this year from Outboard Marine, its principal domestic rival. According to Mr Wayne Jones, Outboard Marine's vice president for strategic planning, a new engine, the Cobra, has succeeded in boosting the company's stern-drive engine sales by around 31 per cent from a year ago. The company believes this has been mainly at the expense of foreign competition.

The Brunswick move will obviously present a severe obstacle to further gains by the Cobra; over a quarter of the stern-drive boat market could eventually become an exclusive preserve of Mercury engines. This is unlikely to happen until mid-1989, however, since Outboard Marine this summer won a $55m per year contract to supply Bayliner with stern-drives for a three-year period. "I don't think we would consider buying the contract outlet," says Mr Reichert.

Outboard Marine also has a smaller commitment to supply Ray Industries with engines, though this expires next June.

Indeed, Outboard Marine is one of several engine manufacturers which could win some stern-drive and outboard orders away from Mercury, should boat builders buy engines from a diect competitor. Mr Reichert acknowledges the risk of some "modest" loss of market share, but believes the boat industry will not cut off its nose to spite its face.

This view is endorsed by Mr Bob Long, executive of Genmar Industries, a large Florida-based boat maker which is 82 per cent owned by Minstar, the quoted vehicle of Mr Irwin Jacobs, the corporate raider. In Mr Long's view, a switch away from Mercury products is "unlikely unless we see a good business reason to do so."

In addition to its substantial US business, the Ray Industries acquisition will give Brunswick a window onto the European leisure boat market via a brand new 76,000 square foot plant in Cork.

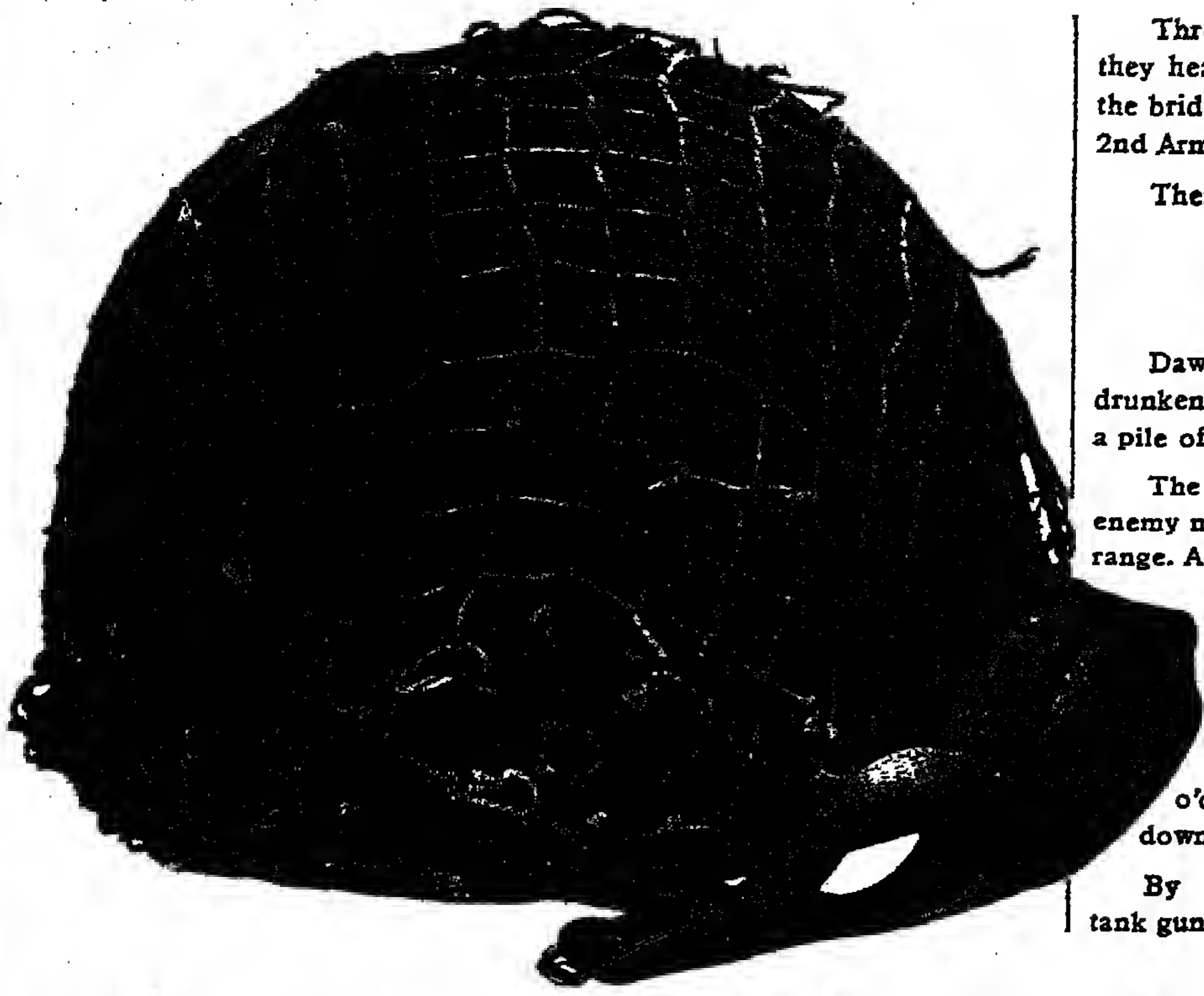
Searay Boats has been rapidly building market share in Europe of late and the 31 acre Irish site appears to leave plenty of room for further expansion. The combination of the Searay plant and Mercury's existing worldwide distribution network makes it "entirely possible that we could expand rapidly in Europe," in Mr Reichert's view.

In the meantime industry observers are wondering whether Brunswick's competitors, particularly Outboard Marine, will now themselves be forced to integrate if they are to prevent it from consolidating its newly purchased market predominance.

Although its net earnings for the year ended September 30 slide 51 per cent to $14.3m (including a one-time $15m pre-tax charge), many analysts are projecting an upturn for Outboard Marine in the coming year and the company's debt asset ratio is certainly low enough to support a major outlay.

"The Brunswick purchases have caused us to review all our options, *including* vertical integration," says Outboard Marine's Mr Jones. "There will always be some dealers who like to buy packages and some who don't."

For the moment, it seems interested onlookers are to be kept guessing.



A BULLET BETWEEN THE EYES, AND HE NEVER EVEN NOTICED.

It was a remarkably fine room to die in.

A madonna smiled sadly from the corner. There were two crucifixes, three ornate gospel texts and a portrait of the Pope.

Carefully moving all china and glass away from the window, he laid out his grenades, ammunition and weapons on the bed.

Then Major Jock Blackwood, of the 11th Battalion, 4th Parachute Brigade, drank some water and settled down to wait.

Soon the German tanks would come. When they did, his orders were to use all his grenades, then shoot up as many infantry as he could before he died.

Yesterday – was it only yesterday? – it had been gorgeous flying weather over the Channel.

Not a cloud in sight until the ugly brown puffs of flak over Holland.

He recalled a wood sliding past 1500 feet below, its edge crackling into flame, catching two aircraft of his battalion.

Then wheeling through a fierce barrage over a silvery loop of the Rhine, the pilots flying magnificently in formation.

Falling, tracer lazily uncoiling towards him, men all around floating down dead in the harness.

On landing he had lost his haversack, but there was a Jerry machine gun only 30 yards away and bullets were ripping across the heath.

Keeping low, he started for Arnhem.

The day before, paratroops commanded by Colonel John Frost and Captain Eric Mackay had reached Arnhem bridge and were holding their positions under heavy fire.

Blackwood's battalion was to race to their rescue and secure the bridge until the tanks of 2nd Army arrived from the south.

But less than a mile from the bridge, the rescue force was halted by panzers of the 9th 'Hohenstaufen' SS Division.

The British were quickly outflanked and took shelter in a row of houses overlooking a cross-roads.

Here it was, on Tuesday 19th September 1944, that Jock Blackwood prepared for what he thought would be his final fight.

Tyres squealed in the street and Blackwood reached for his sten. But though the jeep was British, the news was bad.

There was no hope of reaching Frost and Mackay. Blackwood's men were to pull out of Arnhem.

Ironically, as they retreated, the Dutch still treated them as liberators, bringing them apples and water.

It was dusk when the panzers caught them, sheltering in slit trenches in the front gardens of a row of semi-detached villas.

At the bridge, there was silence. In one house his men had held, Eric Mackay noticed that blood had collected in pools on the landings and was running in small rivulets down the stairs.

As the British fell back on the village of Oosterbeek, every available German plane, tank and gun came to bear on them.

The explosions merged into a continuous roar through which the survivors of the battle moved in a daze.

Through rents in the smoke, the British could see huge Tiger tanks, weighing 60-tons each, lumbering to the attack.

That night, Blackwood's last anti-tank gun was destroyed and he could hear a Tiger whining around nearby.

He wrote in his diary: "The remnants of the 1st Airborne Division are holding a box some 1½ miles square with Jerry on three sides and the Rhine on the fourth."

Where the hell was 2nd Army?

Daylight came, bringing with it the sight of one of Blackwood's men cradling a friend's severed head.

Still no 2nd Army. Instead they watched, sickened and helpless, as Polish paratroops dropped nearby and were massacred.

At noon Blackwood's unit entered a church to rest. Someone had found two angora rabbits. They would have a real feast.

Through the murderous shellfire, they heard a desperate signal from the bridge: "1st Para Brigade calling 2nd Army. Come in 2nd Army."

There was no reply.

Dawn found one soldier sitting drunkenly, head hanging forward, on a pile of rubble.

The corpse sat there all day as enemy mortars and .88 guns got the range. At 0820 2nd Army replied.

They were held up at Nijmegen, 15 miles south and would attack again at one o'clock.

But it was Stukas, twelve o'clock high, that screamed down to the attack.

By nightfall Blackwood's anti-tank guns were too hot to touch.

But a .88 shell crashed into the church, taking off the cook's leg and spilling the stew. Moments later, a second shell caved the roof in.

From their trenches that night they faced several dead cows, a disembowelled horse, and the fact that unless help arrived they would probably not survive another day.

A week after Colonel Frost's men seized the northern end of Arnhem Bridge, 2nd Army finally reached the far bank of the Rhine.

In the early hours of Tuesday 26th September, Canadian troops ferried Jock Blackwood and his men to safety.

His nine day old beard, magnificently black, was crusted with blood and yellow mud.

Eight months later, he went to Buckingham Palace to receive the Military Cross from King George VI.

Picking up his helmet for the first time since he had worn it at Arnhem, he noticed something odd.

Under the camouflage netting was a small jagged hole.

A German bullet had pierced two layers of steel and stopped within a hair's breadth of the dead centre of his forehead.

Jock Blackwood's is only one of thousands of stories contained in the diaries, letters and memoirs in the archives of the Imperial War Museum.

Without your help, most of them will never be told.

We do not have the space to display our collections properly. Our building leaks. Plumbing, wiring, heating and drains must all be completely replaced.

The glass roofs of our main galleries are beyond repair. Facilities, particularly for the disabled, are poor.

Putting these things right will cost £9,000,000. If we can raise £2,500,000, the Government have promised to give us the rest.

Will you help us by making a donation or a covenant? (Every £10 covenanted produces £14.30.)

Please address donations and enquiries about covenants to the Director, Imperial War Museum, Lambeth Rd, London SE1 6HZ.

Cheques should be made payable to 'The Imperial War Museum Trust (Redevelopment Appeal)'. Thank you.

IMPERIAL WAR MUSEUM APPEAL

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UK NEWS

Emergency law needed to end council 'shambles'

BY RICHARD EVANS

THE Government is having to introduce emergency legislation in the House of Commons to correct possibly illegal decisions taken over the past six years on the calculation of grant to local authorities.

The move, another in a long series of politically embarrassing reverses the Government has suffered in recent years over local government finance, means that the rate support grant settlement will have to be delayed further. Rates are local property taxes, which are supplemented by central government.

Mr Nicholas Ridley, Environment Secretary, was greeted with jeers and laughter when he told MPs that a 17-clause Bill would be introduced today and rushed through Parliament after the Christmas recess. "An absolute shambles," was the verdict of Dr John Cunningham, Labour's Environment spokesman.

The legislation will not change the basis on which the RSG – the proportion of local authority spending covered by central grant – is calculated. Instead, it will remedy a flaw in the 1980 Local Government Finance Act and ensure that current practice becomes valid.

The error came to light because of anomalies in expenditure returns from some councils. These showed that the concepts of relevant and total expenditure might have been wrongly interpreted by the Department of the Environment.

Mr Ridley took immediate legal advice and was told that the department's treatment of expenditure was incorrect in law. Contrary to accepted practice, transfers between funds and accounts within the rate fund should not be regarded as expenditure.

Mr Ridley told MPs that the advice meant that past decisions involving the concepts of total relevant expenditure were put in doubt.

A lengthy delay would be highly inconvenient for local authorities who have to have the relevant information to set their rates for the next financial year.

Mr Ridley therefore intends to announce "firm intentions" for the 1987-88 settlement when Parliament returns in January

Working population to become older

By Richard Evans

THERE will be significant changes within the working population of between now and the turn of the century, according to the latest projections of the Office of Population Censuses and Surveys.

Numbers of people aged between 16 and 29 will decline by around a fifth by the year 2001 while the numbers aged 30 to pensionable age will increase.

As a result the population of working age will show relatively little change in overall numbers, but it will have a markedly older age profile by the turn of the century.

The population of pensionable age shows only a small overall increase up to the year 2001, but within this group the numbers of those under 75 will decline while those of 75 and over will increase by almost a quarter.

The projections start from an estimated population in England and Wales in mid-1985 of 49.9m and show a slow rate of increase averaging 0.3 per cent to reach 52.2m in 2001.

Government goes ahead with plans to privatise British Steel

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE Government last night reinforced its commitment to the early privatisation of British Steel and announced it is seeking a merchant bank to give preliminary advice on the sale of the corporation's assets and activities.

Mr Giles Shaw, the Industry Minister, told the House of Commons that the Government intended to transfer British Steel to the private sector "as quickly as is practicable".

The Department of Trade and Industry has fixed a December 23 deadline for interested banks to make initial representations. Further information will then be provided to selected banks which will be invited to submit detailed proposals.

Mr Shaw's statement follows remarks made last week in the House of Commons by Mr Paul Channon, the Trade and Industry Secretary, who said he wanted to put the steel industry "at the top of the list" for privatisation.

Ministers are agreed that the British Steel sell-off will be a priority candidate for privatisation – possibly behind the water authorities and ahead of the electricity supply industry – if the Government wins the next election.

Legislation enabling the sale to go ahead would almost certainly be brought forward in the first session of the new parliament. Although yesterday's statement implied that privatisation would embrace the entire corporation, as it is now constituted, uncertainty still surrounds the way in which any sale of assets might be packaged.

Mr Shaw emphasised yesterday that the British Steel sale would only be pursued if the corporation managed to extend its recent improvement in profitability over a longer period. In the six months ending this September, the corporation recorded profits after interest payments of £68m. In the last financial year to March 1986, the corporation achieved its first, bottom-line profits – of £38m – for 10 years.

Lucas decentralises pay talks

BY HELEN HAGUE

LUCAS Industries has signalled its intention to discontinue national level pay bargaining covering about 10,000 staff employees.

The move comes at a time when the Government is making moves against national pay bargaining. Led by Mr Nigel Lawson, Chancellor of the Exchequer, and Lord Young, Employment Secretary, ministers are strongly advocating regional pay variations with the aim of bringing pay in different geographical areas more closely in to line with varying unemployment levels. Union leaders have strongly resisted such pressures.

Lucas yesterday told representatives of three staff unions – Tass, ASTMS and Apex, that it planned to move to decentralised pay bargaining in future negotiations.

Lucas has given the staff unions six months' notice of its plans. The move follows an acrimonious pay bargaining round in the summer, where staff unions co-ordinated a programme of limited industrial action in pursuit of an enhanced pay deal.

Enterprise and ICI to merge gas, oil interests

By Lucy Kellaway in London

ENTERPRISE OIL, the former oil producing arm of British Gas, and ICI, yesterday announced details of a £115m ($163m) deal in which Enterprise will take over all of ICI's oil and gas interests and in return give ICI 25 per cent of the enlarged group.

The move, which will be put to shareholders in the new year, will make ICI the major shareholder in Enterprise, diluting the interest of Lasmo, which acquired a 29.9 per cent stake in Enterprise in a share swap with Rio Tinto-Zinc a year ago, to less than 23 per cent.

Enterprise said yesterday that the deal would strengthen its balance sheet, increase next year's earnings and protect the dividend.

ICI said the deal would allow it to maintain a position in oil and gas exploration, while ridding it of an activity peripheral to the group.

However, the purpose of the deal was not to position it as a possible bidder for Enterprise when the Government's golden share expires in 1989, ICI said.

The deal has been structured so that ICI is prevented from making a bid until 1991, and is prevented from selling its shares for two years.

The City of London gave the deal its approval yesterday, Enterprise shares rose 11p to close at 174p, a high for the year.

ICI's main oil asset is a 15 per cent stake in the Ninian oilfield, output from which will double Enterprise's current oil production of around 30,000 barrels a day.

The other assets include £25m in cash, 15 per cent of the Amethyst gas field, a candidate for early development, as well as acreage in Indonesia and the North Sea. In total, the merger will add about 100m barrels of oil and gas to Enterprise's proven reserves of 240m barrels.

Lasmo would not commit itself to the deal yesterday. Mr Chris Greentree, chief executive, said he did not have enough detail to judge the proposals, but he would vote purely on whether the deal was good for Enterprise.

Under the terms of the deal, Enterprise will issue 71.9m new shares, which at Monday's average price of 160p values the transaction at £115m.

The deal is the latest – and one of the largest – in a series of transactions this year by independent oil companies, which have been trying to increase their cash flow in the face of a falling oil market.

However, Enterprise, the only independent to have maintained its interim dividend this year, has no net borrowings even without the ICI assets. If the deal goes through it will strengthen the company's position in the sector, opening the way to a series of possible acquisitions.

ICI said yesterday that none of the 80 staff involved in its oil operations would lose their jobs as a result of the sale.

Miners lose claim to separate pay awards

BY DAVID BRINDLE AND RAYMOND HUGHES

THE Union of Democratic Mineworkers (UDM) faces an uphill battle to expand its membership after a Court of Appeal ruling yesterday that severely limits British Coal's ability to make differential pay awards to UDM members alone.

The UDM broke away from the National Union of Mineworkers (NUM) after the 1984-85 miner's strike.

By a 2-1 majority, the court allowed an appeal by two members of the NUM that British Coal had discriminated unlawfully against them by not awarding them a pay rise granted to UDM members at their colliery.

The ruling, which is likely to have an important effect in other industries, reverses an Employment Appeal Tribunal decision that inter-union disputes are not covered by section 23(1)(a) of the 1978 Employment Protection (Consolidation) Act and that British Coal had not taken action against the men as individuals.

British Coal, which was refused leave to appeal to the House of Lords but which may seek leave direct from the Law Lords, said the ruling carried "important implications" for the future of wage bargaining in the coal industry.

It said: "It looks as though any departure from bargaining with the majority union for all the mineworkers at a particular colliery will be exposed to the risk of any benefit negotiated being claimed by the other union through the courts."

The UDM, which was set up in Nottinghamshire and South Derbyshire, depends for any further growth upon its ability to negotiate better and earlier pay deals than the NUM. Last week, the breakaway union was offered terms said to increase potential earnings by 8.6 per cent.

Yesterday's ruling suggests that British Coal would be able to pay such an award only to UDM members in those pits where the union was in a majority.

The case arose over a 5.9 per cent 1985 pay rise awarded initially only to UDM members.

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Sales of new cars head for record

By Kenneth Gooding
Our Motoring Correspondent

NEW CAR sales set a record this year. Ten days into December, 1.843m new cars had been registered in 1986, well ahead of last year's total figure of 1.832m.

According to the Society of Motor Manufacturers and Traders (SMMT), sales this year are ending as strongly as they began.

In the first 10 days of December, sales were more than 38 per cent ahead of the same period of 1985 at 41,712, compared with 30,167.

Mr Derek Barron, chairman of Ford of Britain, predicts that total registrations will reach 1.88m this year and that his company, for only the second time in its history, will achieve sales in a year of 500,000.

This would give Ford a 27.5 per cent market share in 1986, one point up on last year.

In the first 10 days of this month, Ford's share was 29.88 per cent while General Motors (GM), the Vauxhall-Opel company, had 16.34 per cent.

The Rover Group had recovered a little from the all-time low of 12.95 per cent in November to 15.77 per cent in the 10 days. GM seems likely to take second place among the manufacturers in 1986.

Both Ford and GM, the major importers, have been reducing the number of cars brought in from their continental factories.

In the 10 days, total imports accounted for 48.37 per cent of the market, down from 52.88 per cent in the same period last year.

Peugeot-Talbot took fourth place in the 10 days, with 5.52 per cent; followed by Nissan, 5.28 per cent; Volvo, 4.97 per cent; Volkswagen-Audi, 4.06 per cent; Renault, 3.86 per cent; and Fiat, 1.92 per cent.

The SMMT also revealed yesterday that the total for 1985 new car sales had been marginally adjusted to 1,832,027 from the previously announced 1,832,408.

Apollo to supply Europe from new Scottish plant

BY DAVID THOMAS

APOLLO COMPUTER, the US company which is the world's leading maker of technical workstations, is to expand its manufacturing operation in Livingston, central Scotland, to supply all the demand in Europe for its machines.

Technical workstations, a fast-growing market, are used by engineers, scientists and other professionals for complex graphics and calculations.

Apollo's worldwide sales this year are expected to be $400m (£279m). It claims about a third of the world market, with a similar share in Europe.

Apollo set up a sales and service organisation in Livingston two years ago and began some manufacturing there last year.

It now supplies about 60 per cent of European sales from Livingston. The company expects to have sold 8,000-10,000 machines in Europe this year, with a value of $150m.

Apollo has decided to spend $5m on a new plant, to be ready by the end of 1987, which will produce all the company's European requirements. The company estimates that its European sales will be running at $200m in 1988.

The plant is almost certain to add more jobs to Apollo's 180-strong workforce in Livingston, but the company would not be drawn on details. However, the company did say it expected to source many of the components for manufacture locally.

Mr Ian Lang, Scottish Office Minister, welcoming the Apollo decision, said yesterday: "This is yet another example of an inward investing company which has chosen Scotland as a location, recognising the wisdom of this decision by expanding."

The news is a fillip for the Scottish electronics industry, coming less than a week after the decision by Unisys, the US computer group formed recently from the merger of Burroughs and Sperry, to close its plant at Cumbernauld, near Glasgow, with the loss of 360 jobs.

Airport profits survive downturn

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PRE-TAX profits of BAA plc (formerly the British Airports Authority) amounted to £86.6m in the first six months of the current financial year, only £1.8m down on the comparable period of 1985-86, despite the decline in traffic earlier in the summer.

Sir Norman Payne, chairman, announcing the results in London yesterday, forecast that, provided a traffic recovery seen in recent weeks continued, the profits of BAA for the full year "should be broadly comparable with last year," when they amounted to £78m before tax.

BAA's figures are given on a current cost accounting basis, but Sir Norman said yesterday that after privatisation, expected next year, the board would consider reverting to historic cost accounting, depending on circumstances then prevailing. Privatisation is still expected next year although BAA accepts that the timing of any general election could influence the situation.

The full year's figures for 1986-87, on present plans, will be published along with the privatisation prospectus early next summer.

Commenting on the half-year's figures yesterday, Sir Norman said that they had been influenced by the downturn in traffic, especially on the North Atlantic, earlier this year following the Chernobyl reactor disaster and the US bombing of Libya, which gave rise to fears of increased terrorism in Europe.

This had been countered, however, by a strong growth in UK outbound holiday traffic, so that the overall result for the seven BAA airports was a rise of 1.5 per cent in passenger numbers.

Sir Norman said that revenue for the half-year rose from £239m to £262m, mainly due to the continued growth in "commercial" income – that is, income from duty-free goods sales, rents and concessions.

Operating costs rose by £24.5m to £186m.

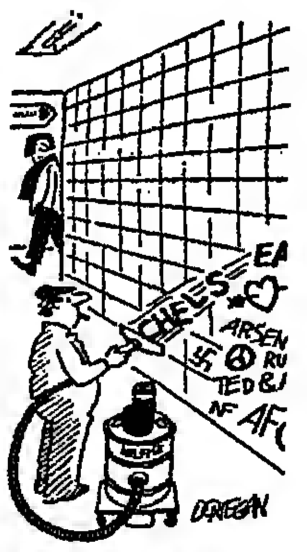
Shorts cleared of bias

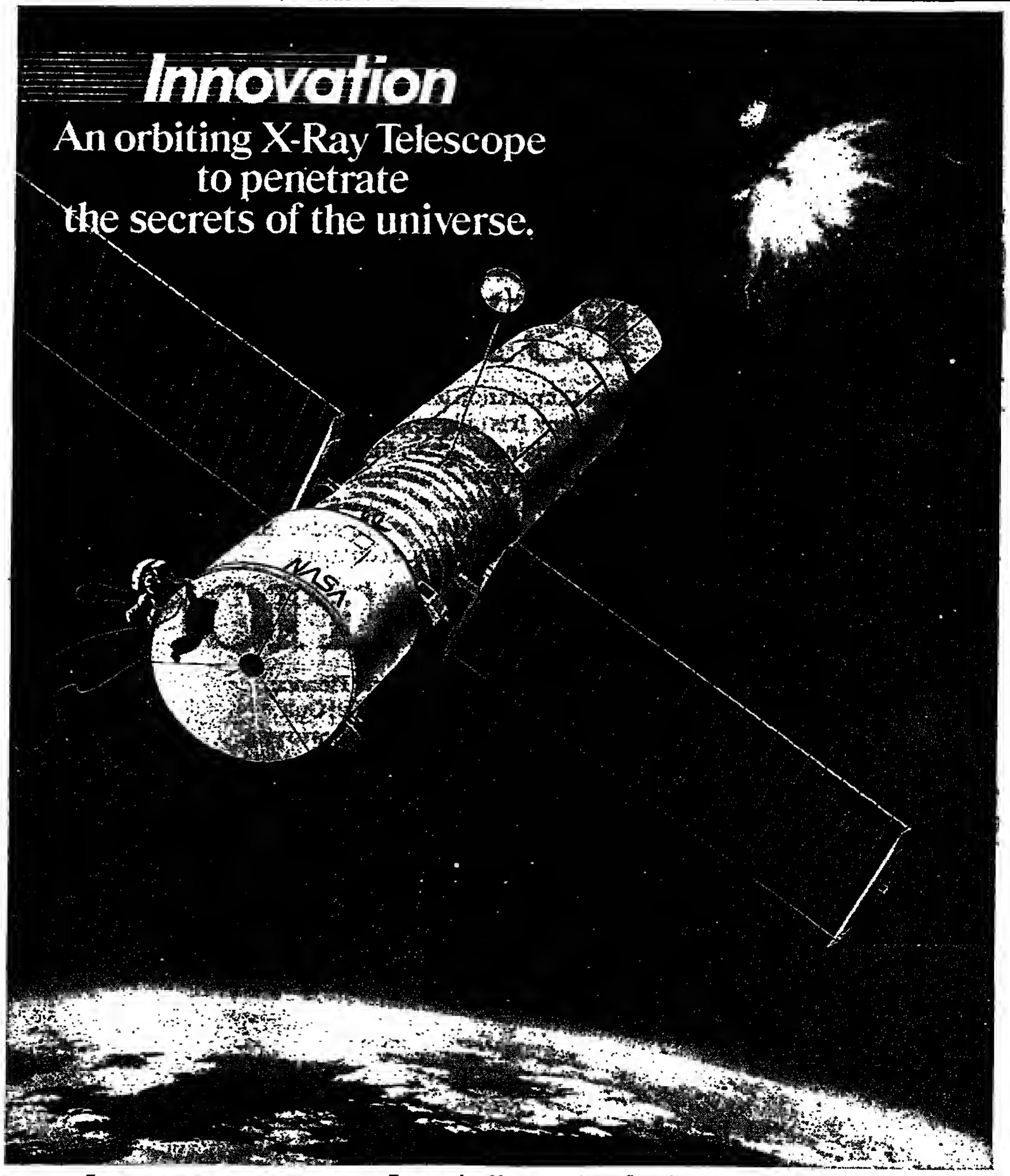
BY OUR BELFAST CORRESPONDENT

SHORT BROTHERS, the state-owned Belfast aerospace company, was yesterday cleared by independent experts of suggestions that it might have unlawfully discriminated against Roman Catholic job applicants.

The Northern Ireland Fair Employment Agency commissioned a special study of Shorts' recruitment from the Tavistock Institute of Human Relations in London after its own monitoring of the company during 1984 had indicated bias in its hiring policy.

The agency found that between April and December that year the percentage of Catholics appointed had fallen even though the proportion of application from Catholics had risen.





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First Union General Investment Trust Limited

Incorporated in the Republic of South Africa
A MEMBER OF THE LIBERTY LIFE GROUP

PRELIMINARY PROFIT ANNOUNCEMENT
for the year ending 31 December 1986

	Note	Year ending 31 December 1986 (Estimated)	Year ended 31 December 1985 (Actual)
Net income after taxation	1	R20 840 000	R20 018 000
Number of shares in issue	2	79 246 917	80 807 000
Earnings per share	2	26,30 cents	24,77 cents
Dividends per share			
Interim – declared 11 June 1986 (1985 actual: 7,5 cents)	2	8,0 cents	6,8 cents
Final – declared 11 December 1986		13,5 cents	12,5 cents
Total dividends per share (1985 actual: 20,0 cents)	2	21,5 cents	19,3 cents
Net asset value per share	3	718 cents	540 cents

Notes

1. Surpluses on realisation of investments have been transferred to a non-distributable reserve in terms of the articles of association of the company and have not been included in the net income after taxation set out above.
2. In the calculation of the comparative figures, the weighted number of shares on which earnings per share is based has been adjusted to account for both the one-for-ten bonus capitalisation issue in July 1985 and for the fact that certain shareholders elected to receive the special cash dividend of 50 cents per share in lieu of the bonus capitalisation shares to which they were entitled. The 1985 total dividends of 20,0 cents per share has been restated as 19,3 cents per share, to adjust for the one-for-ten bonus capitalisation issue.
3. The net asset value shown under 31 December 1986 was calculated at close of business on 10 December 1986 after deducting the final dividend herein declared.

DECLARATION OF FINAL DIVIDEND
in respect of the year ending 31 December 1986

Notice is hereby given that final dividend No 52 of 13,5 cents (1985: 12,5 cents) per share has been declared in respect of the year ending 31 December 1986 payable to shareholders registered in the books of the company at the close of business on Wednesday, 24 December 1986.

The dividend has been declared in the currency of the Republic of South Africa and cheques in payment thereof will be posted from the offices of the South African and United Kingdom transfer secretaries on or about 16 January 1987.

Cheques in respect of dividends issued by the United Kingdom office will be drawn in United Kingdom currency equivalent on 5 January 1987. Non-resident shareholders' tax at the rate of 15% will be deducted from dividends where applicable.

On behalf of the board

D Gordon (Chairman)
J R McAlpine (Director)

Johannesburg
11 December 1986

South African transfer secretaries
Central Registrars Limited
4th Floor, 154 Market Street
Johannesburg, 2001
(PO Box 4844
Johannesburg, 2000)

United Kingdom transfer secretaries
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

New drug 'effective against anxiety'

By Tony Jackson

GLAXO is to announce on Friday the development of a remarkable new drug, effective against both anxiety and schizophrenia and also a powerful anti-emetic.

Glaxo's presentation to the British Pharmacological Society in London will claim advantages for the drug against existing treatments in all three areas.

The drug, code-named GR38032F, is technically described as a 5-HT3 antagonist. The evidence presented will relate solely to tests on animals, but from the stress which Glaxo is placing on its discovery it is thought the group has already tested it on humans.

The drug is a receptor antagonist, similar in principle to beta-blocker heart drugs or ulcer drugs like Tagamet and Zantac. It acts by blocking one of the three types of receptor in the body which react to the natural substance 5-HT.

One of the papers presented by Glaxo will claim that the drug is the first in a new generation of what are technically known as anxiolytics, drugs which relieve anxiety. Unlike existing treatments such as Valium, it is claimed not to lead to drowsiness or to create dependence.

Economic benefit of forestry tax schemes 'unclear'

BY ANDREW GOWERS

PARLIAMENT'S chief financial watchdog yesterday cast serious doubt on the economic benefits of grant schemes and tax incentives for private forestry, and criticised the Forestry Commission's current planting and restocking programme.

In a special report to Parliament, Sir Gordon Downey, the Comptroller and Auditor-General, says it is "not clear" whether the Exchequer costs of tax incentives – estimated at £10m a year – and grants "were matched by commensurate benefits in national economics terms".

He also says that current tree planting by the Forestry Commission on poor-quality land – principally in the north of Scotland – was likely to generate very low financial returns which would not be offset sufficiently by benefits in other areas, such as recreation and the environment.

The National Audit Office is the first independent economic appraisal of the work of the Edinburgh-based commission, which operates under the auspices of the Scottish Office, since 1972.

The forestry industry has been bracing itself for publication of the study, since it is expected to generate considerable political debate in the new year about the merits of public subsidies for timber-growing.

Sir Gordon's findings contrast, however, with those of the Lords select committee on the EEC. In a report on European forestry policy earlier this month, the committee called for consideration of an expansion of tax incentives for forestry in the UK, saying that "forestry is a potential use for better quality land coming out of agriculture."

The commission withheld comment on the report yesterday, saying that its director-general would be testifying to the Commons Public Accounts committee during hearing next month.

Timber growers UK, representing private forestry companies, said the report appeared to have failed to take sufficient account of forestry's long-term benefits and of such issues as job creation in timber processing industries.

Review of Forestry Commission objectives and achievements; National Audit office, £4.10 from HMSO.

Distillers fund bought shares in Guinness

By David Goodhart

THE Department of Trade and Industry investigation into Guinness has been alerted to the fact that the Distillers pension fund bought several million Guinness shares just after Guinness had successfully completed its take-over of Distillers last April.

The leading City of London institution which has pointed this out to the two DTI inspectors clearly believes it is material to the investigation, launched on December 1, into "circumstances suggesting misconduct of the affairs of Guinness in connection with its membership (shareholders)."

Guinness said yesterday that it was true the Distillers pension fund did buy Guinness shares over a period of some weeks after the bid.

Mr David Wynne-Morgan, chairman of London public relations firm Hill and Knowlton, who has taken over as a special adviser to Guinness during the DTI investigation, said: "The move was simply in line with the Guinness policy that it is healthy for the pension fund to have a small stake in its own company. This is fairly common practice."

Lower borrowing strengthens City hopes for tax reductions

BY JANET BUSH

VERY HIGH non-oil tax revenues kept the Government's borrowing in November at a negligible level and prompted many City of London economists to lower their forecasts for this year's Public Sector Borrowing Requirement.

Several economists are now predicting an undershoot of perhaps £1bn. Others, who believed the overrun on public spending this year would push the PSBR above the Treasury's forecast of £7bn, said November's figures underlined the credibility of the Chancellor's arithmetic.

The PSBR was a very small £58m in November compared with a requirement of £29m in October and £2.1bn in September, according to figures released yesterday by the Treasury. Most forecasts had looked for a PSBR in November of nearer £1bn. In the first eight months of the current fiscal year, borrowing totalled £5.7bn.

After yesterday's figures, economists were even more confident in the Chancellor's scope to cut taxes next year.

It is, however, notoriously difficult to forecast the PSBR in the last months of the fiscal year when the bulk of corporation and petroleum revenue tax is received. There has been an additional source of uncertainty this year because composite rate tax payments paid by building societies have been spread more evenly throughout the year, rather than falling mostly in January.

November saw a particularly large jump in receipts of value-added tax, partly reflecting strong growth in retail sales and partly due to more stringent rules for VAT payments. November also included the receipt of £250m from the redemption of preference shares in British Telecom.

There are plenty more privatisation proceeds to come this year including about £2bn from British Gas in December.

Telegraph calls for job cuts

BY RAYMOND SNODDY

THE DAILY TELEGRAPH is seeking "substantial" redundancies in the final phase of the paper's survival plan which also involves a move to a fully computerised newsroom.

Mr Andrew Knight, chief executive, refused to be specific about the number of job losses involved yesterday but conceded it would be "hundreds" although under 1,000.

The plans outlined to unions yesterday cover composing, clerical, maintenance and related staff. The number of journalist jobs is unlikely to fall.

At present about 1,800 people work in these departments.

The plan put forward yesterday is an almost exact replica of the deal offered to the company's printing workers earlier this year. Then unions agreed a 60 per cent cut in manning levels.

Mr Knight warned yesterday: "Our future is still in the balance and will remain so until we have successfully completed the programme of change we began in March."

Mr Knight warned yesterday that, although the fall in the Telegraph's circulation had been halted, and in November was 1.128m compared with 1.125 in September, there was a danger that losses were starting to increase again.

"We have a very very stringent cash flow. If we go over even by a single day, we don't have the money at the end of the day to pay for the redundancies," Mr Knight said.

Output recovers but energy sector weak

By Janet Bush

BRITISH manufacturing output is still showing modest signs of recovery, but overall industrial production has been hit by weakness in the energy sector of the economy, according to provisional figures released yesterday by the Government's Central Statistical Office (CSO).

The output of consumer goods industries is still growing slowly despite the record level of retail sales. However, production of cars, clothing and footwear and other durable goods has recovered from a weak patch earlier this year.

The CSO said yesterday that manufacturing output had risen by about 0.3 per cent in October over September figures while total output of production industries had fallen by 0.8 per cent. It estimated underlying growth in manufacturing to be above 2.5 per cent, but only 1.5 per cent for overall industrial production.

In October, manufacturing output was still only 1.1 per cent more than a year earlier. In the latest three months, production was 1.3 per cent higher than over the three previous months, the CSO said. Output of chemicals, engineering and allied industries and textiles and clothing showed healthy gains between the two periods, but production of metals dropped sharply.

The CSO said it was difficult to assess the trend of total production given the volatility over the last few months of North Sea oil production, but it said energy output appeared to be flat or even declining.

In the three months to October, production was 1.7 per cent higher than in the three previous months. The drop in October's production was partly due to a fall in the production of electricity and gas after September's high level, due to the cold weather.

The CSO's index of manufacturing output stood at a provisional 105.6 (1980=100), compared with 105.3 in September, while the industrial production index was at 110.0 (1980=100), compared with 110.9.

The consumer goods index was only marginally higher in October at 105.8 (1980=100) after 105.7. Overall production in this sector in the latest three months was only 1.1 per cent higher than in the previous three months.

Exchange vote allows 'locals' to trade options

BY ALEXANDER NICOLL

THE London Stock Exchange's ruling council voted yesterday to admit "locals" in a bid to accelerate the already rapid growth of trading in options.

Locals are individuals who will trade either for their own account or on behalf of other member firms, but never on behalf of members of the public. An important feature of the Chicago futures and options markets, they aim to make a living purely out of their trading activity.

The London International Financial Futures Exchange (Liffe) initially attracted a quite small number of locals when it began trading four years ago, but the number has recently been expanding quite quickly and has reached about 60.

The stock exchange is hoping that traders with nimble wits will also be drawn to trade in options. Options business has taken off in the past two years.

The exchange wants, however, to develop liquidity in the market at an even faster pace so that it can trade options on more UK stocks. So far options on 43 equities are traded, but the aim is to expand the market to cover the top 100 stocks as soon as possible.

The council's ruling permitting locals admits one-person firms for the first time. They will pay an entry fee of £10,000 and must have minimum capital of £10,000 – costs which the exchange says are lower than its rivals.

HIRAM WALKER HOLDINGS N.V.
(the "Company")

The outstanding U.S.$75,000,000 16 PER CENT. GUARANTEED DEBENTURES 1989 OF THE COMPANY
(the "Debentures")

guaranteed by
WALKER-HOME OIL LTD.
(the "Guarantor")

constituted by the Trust Deed dated 10th March, 1982 (the "Trust Deed") between the Company, the Guarantor and The Law Debenture Corporation p.l.c. (the "Trustee") as trustee for the holders of the Debentures (the "Debentureholders")

NOTICE OF SUBSTITUTION OF GUARANTOR AND INTRODUCTION OF GULF CANADA CORPORATION ("GULF") AS ADDITIONAL GUARANTOR

Notice is hereby given to the Debentureholders that:-

(1) pursuant to a Statutory Arrangement under the Business Corporations Act, 1982 (Ontario) a reorganisation has been implemented and (inter alia) the dissolutions of the Guarantor and its holding company, Hiram Walker Resources Ltd. ("HWR"), have been commenced and all of their respective assets have been, or will be, transferred to, and all of their respective liabilities and obligations have been assumed by, HWR Holdings Inc. (the "New Guarantor");

(2) the New Guarantor has disposed of the whole of the issued share capital of Home Oil Company Limited and the shares it owned in Sovereign Oil & Gas PLC to Interprovincial Pipe Line Ltd. and the proceeds of such disposal have been distributed by the New Guarantor to Gulf which is the holding company of the New Guarantor;

(3) the New Guarantor has sold to a nominee of Allied-Lyons PLC ("Allied-Lyons") all of the issued share capital of Hiram Walker-Gooderham & Worts Ltd. ("HWGW") which company, together with its Subsidiaries (including the Company), carries on the distilled spirits business of HWR and owns certain oil and gas assets, and in connection with such sale, certain funds and other assets and property have been distributed by the New Guarantor to Gulf;

(4) following the sale of all of the issued share capital of HWGW referred to in (3) above, Gulf, through a wholly-owned subsidiary, purchased from the nominee of Allied-Lyons 49 per cent. of its issued share capital, it being intended that such nominee will become the successor corporation to HWGW;

(5) prior to implementation of the transactions referred to in (1) to (4) above the Company, the Guarantor and the New Guarantor requested the Trustee (i) to agree, pursuant to the provisions of the Trust Deed, to the substitution of the New Guarantor in place of the Guarantor as guarantor in respect of the Debentures and (ii) in consideration of Gulf giving to the Trustee an unconditional and irrevocable guarantee of the obligations of the New Guarantor in respect of the Debentures to authorise, pursuant to the provisions of the Trust Deed, the proposed breaches of the Trust Deed which would otherwise be involved in the disposal, sale and distributions referred to in (2) and (3) above;

(6) the Trustee, advised by Goldman, Sachs & Co., being of the opinion that the interests of the Debentureholders will not be materially prejudiced thereby, has agreed to such substitution and authorisations in accordance with its powers under the Trust Deed; and

(7) such substitution has been effected by, and such guarantee by Gulf and authorisations by the Trustee are contained in, a First Supplemental Trust Deed made between the Company, the Guarantor, the New Guarantor, Gulf and the Trustee dated 28th November, 1986.

Particulars of the Debentures as so modified are available in the statistical services of Extel Statistical Services Limited. Any Debentureholder who wishes to inspect copies of the Trust Deed or the First Supplemental Trust Deed mentioned above or to obtain a copy of the Terms and Conditions of the Debentures as so modified may do so at the specified offices of the Paying Agents listed below:-

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Dated 17th December, 1986

HIRAM WALKER HOLDINGS N.V.

Night Must Fall/Greenwich

Martin Hoyle

A sinister state-of-the-nation message could be read into the lack of urgency, terror or shock in the new Greenwich production of Emlyn Williams' psychological thriller.

Has the daily news bloated our sensibilities towards the plight of the wheelchair-bound old woman at the mercy of the smiling psychopath in the isolated bungalow? Have the stage conventions of 1935—including well-spoken and gentlemanly CID men who stroll on in the nick of time, besides comic domestics — become as remote as Victorian melodrama? Or does John Dove's production simply lack a firm grip?

The end of the first scene can still provide a tremendous frisson: newly-employed Danny, baby-faced and glib, breaks into "Mighty like a rose" — allegedly sung by the unknown local murderer—and the horrified Olivia, rich Mrs Bramson's drudging niece, intuitively realises his identity. But at Greenwich the build-up has been clumsily paced, the rhythms are too bouncy and down to earth, the feeling of growing menace absent.

Nor does it help that the querulous invalid marked down as the next victim should be played by Margaret Tyzack. Much too amiable (her jibes are smilingly playful when they should be vindictive). Miss Tyzack lacks that repellent mixture of the bullying and the sentimental so often found in authoritarians. A sturdy presence, she seems to get younger, healthier and more active as the play progresses, and fails to bring out the irony of lonely Mrs Bramson's whimpering relief when Danny appears. This heartily commanding lady could make mincemeat of Daniel Webb's killer, wheelchair or not.

Mr Webb is one of nature's rat finks; a soft-faced smiler with the knife he is not. "Your eyes are set quite wide apart," Olivia admits in reluctant admiration; but they aren't. A tough, intelligent actor, Mr Webb offers a faintly punk persona in place of fallen angel ambivalence.

Olivia remains the play's most intriguing character, repelled yet fascinated by the killer; she recognises, and ultimately prepared to abandon herself to it—a tradition that goes back at least to Elizabethan drama and on to Williams's later preoccupations (he wrote a compelling and imaginative study of the Moors murderers).

The author has recently spruced his play up; one might wish he had developed Olivia's role. Katy Behean, a good physical player (stooped posture, hands clasped), nevertheless verges on frumpish caricature; perhaps because the part is too sketchily written. John McMurray's set furnishes a thirties bungalow quite rightly with older furniture given its owner's tastes. I suppose a woman who still enjoyed East Lynne would have Millais's "Bubbles" on the wall. Just.

Alastair Muir

Katy Behean and Daniel Webb

Medici Quartet/Radio 3

Dominic Gill

I have often wondered what kind of performance of Haydn's G minor string quartet op. 74 no. 3 it was which earned the nickname of "The Rider" — an over-enthusiastic reading of the first movement, perhaps, played accidentally at double tempo? Taken at any sort of gallop the movement makes no sense at all. In their BBC lunchtime recital on Monday, broadcast from St John's, Smith Square, the Medici Quartet correctly chose the kind of easy, leisurely allegro which allows the music its full lyrical stretch. Their slow movement too was very broad, richly coloured, darkly sensuous. I liked their decisive, pungent account of the finale — whose rhythm has distinctly more to do with chopping wood than riding.

Like Debussy and Ravel, Faure wrote only one string quartet—which was also his last composition, completed just two months before his death in the autumn of 1924. It is a serenely autumnal testament, flecked with sadness, but without any Brahmsian burden of nostalgia or regret.

At the start of the first movement the Medici let the dark colours of the viola and violin predominate, so that the climax became by contrast as it emerged still more luminous, palely radiant. After the slow movement's more convoluted sadness—whose voice leading few performers in any case manage to sort out with absolute conviction—they found, and sustained, with just the right balance in the finale of melancholy reflection and urgency. A satisfying recital.

Scott Moncrieff Prize

THIS YEAR'S £1,000 Scott Moncrieff Prize for the best translation of a French book into English has been divided between Barbara Bray for *The Lover* by Marguerite Duras (published by Collins) and Richard Nice for *Distinction* by Pierre Bourdieu (published by Routledge & Kegan Paul).

Television/Christopher Dunkley

Opinions, prejudice and overkill

Scene from the current series of "Who Dares Wins"

Trust the dear old British public to pick a loser for its "Sports Personality of the Year" and ignore umpteen winners. As BBC1's *Sports Review of 1986* reminded us, Britons managed to win golds this year for rowing, sailing and canoeing, and Fatima Whitbread broke the world javelin record in Stuttgart. Above all we have Daley Thompson, the most outstanding athletics all-rounder in the world whose personality is such that if ever his competitors do manage to edge ahead of him in the decathlon he produces a string of personal-bests in the remaining disciplines to triumph again.

Yet viewers did not even vote him into the top three. Their first choice was the failed car driver Nigel Mansell, and in third place they put Kenny Dalglish, representative of a sport of which all Britons should be thoroughly ashamed. The viewers redeemed themselves slightly by putting Fatima Whitbread in second place.

There can surely be little doubt that the heavy voting for Mansell resulted from his being in the news at the time when the poll was held. The BBC, who craftily repeat a number of their best programmes every year at exactly the time when BAFTA members are being polled for the television awards, are obviously aware of this phenomenon. It would therefore seem time to change the way in which the "Sports Personality of the Year" vote is organised.

Cary Grant was, according to Barry Norman, "the greatest film star Britain ever produced." I would have thought that title belonged to Charlie Chaplin, whose standing as a star was undeniable even if his talent looked unimpressive beside Buster Keaton's. Such niggling disagreements are inevitable for any regular viewer of those series—there are precious few—where the presenter is allowed to express his opinions as Norman is on *Film 86*. More remarkable than the disagreements, however, is the high standard of entertainment provided by this series which must now be about 14 years old. *Film 86* (soon to be *Film 87*, I trust) does not aspire to be the "Cahiers du Cinéma" du nos jours, but it does give a fair idea of what is going on in the cinema. Furthermore Barry Norman is not only a witty presenter but one with a stylo all his own; a fact borne out by the frequency with which he is "done" by impersonators.

Given the high-falutin' tone in which television people so often complain about the standard of criticism directed at their own medium, it is remarkable what a hopeless job they themselves have made of contributing to the general pool of criticism. In all the tens of thousands of people employed by British television there is not a single full-time critic of music, books or drama, let alone newspapers. The press continues to be clearly superior in this sphere, but Barry Norman is a lonely exception whose efforts and standard deserve a salute.

★

Current holder of the Irreverence Award for television comedy (past holders *TW3*, *Not Only But Also*, *Not The Nine O'Clock News* and *Alas Smith And Jones* which has become weak and lazy) is *Who Dares Wins* on Channel 4. This week's sketch about the Dead-Aid charity mega-single, "Feed The Worms," with Elvis Presley, John Lennon and Keith Moon all contributing, was only just the right side of sheer nastiness, but it did have worthwhile targets in the crassness and manipulation of recent major charity efforts. The main point to register is that, after several quite good seasons, *Who Dares Wins* is now very confident and very funny.

★

As presenter of Radio 4's correspondence series Feedback I am aware of a strong belief among at least some parts of the British public that "the South African situation is being rammed down viewers' throats." The feeling appears to be that broadcasters have concentrated on South Africa's troubles because they reflect badly on a white right-wing government. Letter after letter has asked "Why don't television and radio programmes pay the same attention to the troubles in all-black African states and communist countries?" Many have also pointed out that if vicious tribal conflict is your chief concern then more people have died in such conflicts in Nigeria and Uganda than in South Africa. This week's news of so many deaths in the Pathan/Mohajir ethnic clashes will no doubt reinforce these feelings: television is unlikely to do a four-part primetime series on tribal hostility in Pakistan, but last night ITV began a 4-hour series on *Apartheid*, wrapped around *News At 10*, and it will continue and conclude with the same arrangement tonight.

Having watched the first hour, this does seem like overkill. There were some minor points about the start of the ANC and the attitude of Smuts which were historically interesting, but mostly it felt like a dogged programme. Do we really need four hours of peak time devoted to an open-and-shut moral problem on which most of us made our minds up long ago? I suspect the ratings will show we don't.

For anyone who is particularly interested in the news from Africa, a useful book has just been published. *News Out Of Africa* by Paul Harrison and Robin Palmer (published by Hilary Shipman, £5.95 paperback) spans events from Biafra to the present and makes it clear that an awful lot of organisations from well-intended charities to badly intended governments are keen to manipulate the coverage.

★

Has there ever been a television drama serial as richly layered as *The Singing Detective*? I doubt it. Writing in this column some years ago about the way that literature from the second rank tended to adapt better to television than literature from the first rank, I noted that the best books (Dostoevsky's, say) were often about the internal landscape of the mind which was difficult to represent on television, whereas books from the next category down (Galsworthy's, say) concentrated more on events, possessions and appearances, matters which lend themselves far more readily to television.

The Singing Detective is, of course, written expressly for television yet Potter has aimed for the very centre of that interior landscape. The extent of his triumph becomes particularly clear if you read the text, published in paperback by Faber at £4.95. Usually a comparison of book and screen proves what a lot has been left out by television, but in this instance the tables are turned: the book serves merely as a mnemonic, bringing to mind the true richness of the television experience.

Incidentally, am I alone in seeing the witch from *The Wizard Of Oz* behind Janet Henfrey's superb and terrifying performance as the school teacher?

★

The looking-glass world in which liberals are expected to button their lips over all sorts of prejudices and discrimination if the perpetrators or beneficiaries happen to be black now seems to be extending to the homosexual community, at least as far as Channel 4 is concerned. Given the present climate produced by the Aids epidemic it is difficult to believe that a programme singing the praises of promiscuity would be transmitted, were it not a part of the homosexual series *Six Of Hearts*. This week's programme hymned the glories of "cruising," which is gayspeak for making casual pick-ups. The song "Somewhere, wait and see, there's a cottage (i.e. public lavatory) for you and me, We're dreaming W.C., I could handle it . . ." performed by two men, one in a frock, seemed distinctly odd when set against a background of Aids commercials, Aids warnings and Aids deaths.

★

What a pity about the Channel 4 series *The Great Australian Boat Race*. Twelve-metre racing has just about everything: speed, guts, glamour, high technology, and of course beauty. You would have to go a very long way to find a moment in any other sport which, for sheer excitement, could equal a tacking match between 12-metre yachts in a high wind. Yet over and over again this series has stayed ashore and frittered away its time on fatuous incidentals: the intrepid girl photographer, protecting keel designs from industrial espionage, and so on. There has, of course, been some coverage of the contest out on the water, but far too little.

Cinderella/Cheltenham Everyman

B. A. Young

Cinderella at Cheltenham's Everyman is consciously old-fashioned. A traditional story, scripted by Alan Brown, is untainted by any modern diversion; there is no single reference to a pop star or a television advertisement; the plentiful songs come from the old-time variety stage. How else to begin but by appraising the players?

Cinderella is played by Caroline Mander, very pretty, very small, with a rather small voice, truly suggesting a pathetic 16-year-old in the kitchen and a delighted princess in the palace. Her Prince Charming is a smashing newcomer, Deborah Leigh Moore. Miss Moore has the face of her father, Roger Moore, and the figure of Vanessa Redgrave, over-topping her bride by a full head. Her voice would become a contralto if contraltos were still in vogue.

Valet Dandini (Hilary Cromie) works a little too hard on the Victorian lah-de-dah talk she has been saddled with. At the other end of the social scale Mr Andrew Rattenbury makes a friendly Cockney of Buttons, gladly hailed by the children whenever he hails them. Peter Lorenzelli and Colin Wakefield are serviceably repulsive elder sisters, appropriately mis-dressed by Chris Crosswell, who has done some smashing costumes for the more cultured.

Alan Brown's book does not fill the spaces between song and dance very well. It is couched in bad rhyming iambics for the serious passages and corny comedy elsewhere. It is the songs and dances that matter, though, so this counts for little.

The songs are prettily sung, especially by the audience, who are given three goes including a song called "All I want for Christmas is my two front teeth." It amazed me how faithful the Cheltonians' memory was for century-old songs. The dances are unambitious but attractive and there is a very pleasing burlesque at the ball. It seemed to me a mistake to end on nothing more visually rousing than a series of old ballads, sung by the principals in a handsome but classic group, ending with a farewell "After the Ball was Over."

There are very attractive sets by Donald Crosby, the music is organised by Gary Williams, and John Doyle and Phyllida Lloyd are the co-directors.

Nabucco/La Scala, Milan

William Weaver

To the audience of La Scala, Riccardo Muti is not a newcomer; he has conducted—with great success—a number of times in the Milan house. But, last week, when he came out into the pit to conduct the opening night of Verdi's *Nabucco*, he was not a guest: he was making his first appearance in the theatre as its musical director. La Scala was crowded to capacity: political figures (including the prime minister) stars of the entertainment world, heads of other opera houses (Sir John Tooley was prominent in a parterre box), a sprinkling of jet-setters: it was a gala crowd. It also included a number of leaders of industry, perhaps an indication of La Scala's capitulation to the necessity of sponsorship. In fact, the operatic part of the current season is generously supported by ENI, Italy's petroleum company; and the ballet events are largely underwritten by Candy, a manufacturer of washing-machines.

Muti was cordially welcomed, and as the evening progressed, that welcome increased in warmth, reaching fever pitch in the Third Act, when orchestra and chorus concluded a memorable performance of the popular chorus "Va pensiero," Italy's unofficial national anthem. The audience demanded an encore, against Scala rules and against Muti's firm practice. After whole minutes of applause and pleading, Muti flipped back the pages of the score. An explosion of joy, and from the gallery an isolated voice: "Grazie, maestro!" More cheers. Muti's dominion of La Scala was sealed.

Notoriously, *Nabucco* is a choral opera; and La Scala's chorus, perfectly prepared by maestro Giulio Bertola, was a supple, sensitive instrument under Muti's direction: delicate and moving in the moments of prayer and lament, aggressive and overwhelming in the warlike outbursts. Keeping up with Muti's sometimes breakneck tempos cannot have been easy, but both the chorus and the orchestra met the conductor's demands with spirit and style.

Muti's *Nabucco*, however is not merely fast; this is an opera that he has long pondered, and while he does not attempt to conceal the work's youthful excesses, Muti lets the music soar; and, at the same time, he subtly underlines the many forecasts of the mature Verdi that were soon to follow.

More than the title role, the role of Abigaille is central, even crucial to any performance of the opera. Ghena Dimitrova possesses, to begin with, the sheer volume the part requires. Her huge soprano rode over all orchestral storming, and was impressive enough to make the listener forgive the occasional strident moments and the sometimes imprecise coloratura. More surprisingly, Dimitrova showed that she can also sing softly when she (or Muti) wants. She did full justice to Abigaille's introspective side, and the death-scene was deeply affecting.

Renato Bruson is not a natural choice for Nabucco. He looked well and acted with conviction, but in trying to make his voice sound bigger and more dramatic than it really is, he produced some harsh, inaccurate singing. But he is a great favourite with the audience and was enthusiastically applauded. The Zaccaria of Paata Burchuladze was sober, hieratic, full-voiced: an interpretation of great dignity and efficacy.

The other roles in *Nabucco* are of no great importance; and, except for the stately Gran Sacerdote of Mario Luperi, they were no more than adequately done. The tenor Bruno Beccaria, making his Scala debut, revealed a voice of pleasing timbre; but his singing was unstylish and his acting, wooden.

The Neapolitan producer Roberto De Simone created a fairly traditional staging. The chorus, for the most part, was allowed to stand still and sing; the principals (except for Bruson) did little more than enter and exit. There was no instructive use of supers, to give the action a religious and military context. Some of the ritual looked more Mediterranean Catholic than Assyro-Babylonian, but no matter. For the first scene, the designer Mauro Carosi devised a sweeping, high stairway that blunted the effect of the singers' appearances and disappearances; but otherwise, his scenery — and the costumes of Odette Nicoletti — were handsome and appropriate. For the "Va pensiero" chorus Carosi and De Simone provided a stunning *tableau vivant*, a simple depiction of nostalgia and desolation. Thanks to the sensitive lighting of Vannio Vanni, it was — for once — possible to see the singers' faces and follow their expressions as they sang.

In addition to this inaugural *Nabucco*, Muti will conduct three other operas — *Alceste*, *Capuleti e Montecchi*, *Figaro* — and the Verdi *Requiem* in the course of this, his first Scala season; his already devoted audience will be eagerly awaiting each event.

John Casken/Wigmore Hall

Andrew Clements

The London bias of British musical life sometimes makes it hard to follow the progress of composers who live and work outside the capital. John Casken has been a lecturer in music at Durham University since 1981, and steadily building up a substantial and consistent list of compositions. Yet only a few of them have received their premieres in London, and only a proportion of the others has found its way to London performances.

But Casken's new work for two pianos, *Salamandra*, has made the journey south with unusual alacrity. Completed in September, it received its first performances three weeks ago at the Huddersfield Festival, which commissioned it. On Monday it formed the centrepiece of the Wigmore Hall recital by Andrew Ball and Julian Jacobson, sandwiched between Stravinsky's Concerto for Two Pianos (a noisy, inelegant account) and Messiaen's *Visions de l'Amen*.

When they are not simply generic, Casken's titles invariably carry weighty poetic resonances. So, he reveals, *Salamandra* is both the Greek name for the amphibian we know as a salamander, which, according to legend, could live in fire, as well as of the spirit itself. But how that association relates precisely to the 20-minute, single-movement work is not divulged.

The writing for the two pianos is immensely virtuosic, often Rakhmaninov-like in its figuration though not in its loosely tonal, densely chromatic language. The primary expressive strain is one of swirling scalic passages and fierce repeated notes: the gently lapping slower section and the haunted coda—recognisable Casken territory — stand in sharp relief to their surroundings.

Even shorn of its title, *Salamandra* would make a cohesive abstract argument, satisfyingly self-contained. Ball and Jacobson's performance had absorbed the bulk of the notes and ignored some of the niceties and texture and dynamics. The score indicates a number of subtleties that were not realised here — not least the carefully graded diminuendos of the closing bars —as well as a keener ear for sonority than the take-it-or-leave-it playing sometimes suggested.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

December 12–18

Theatre

LONDON

Kafka's Dick (Royal Court): Alan Bennett resurrects Kafka as a tortoise in the living room of a contemporary dogsbody researcher, an insurance clerk like his hero. Brave, strange and funny play about biography hinging, in part, on the enlarged matter of a small member. (730 1745/1857).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

When We Are Married (Whitehall): Impeccable, joyous revival of an English comic war-horse now with a new cast, but Bill Fraser returning as the tipsy Falstaffian photographer. (930 7765, 839 4455, CC 379 6565/6433).

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the Surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox. Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

NEW YORK

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holmes's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

NETHERLANDS

Amsterdam, Bellevue Theatre. English-Speaking Theatre of Amsterdam in Michael Frayn's Benefactors directed by Jill Shand (Tue to Thur). (247 248).

Amsterdam, Stikerhof Theatre. The Hall family presents Old Time Music Hall. (Thur). 227571.

Saleroom/Antony Thorncroft

Samson proves his worth

A games piece from the late 12th century sold for £88,000 at Christie's yesterday, way ahead of its top pre-sale estimate of £30,000. The item, 68 mm in diameter, was made of walrus ivory and produced in Cologne. It depicts Samson being led to prison and then grinding the millstone.

It was the main feature in an auction of European sculpture and works of art. A late 17th century Italian bronze roundel, showing the beheading of St Paul, which was cast from the model made by Algardi in 1648, doubled its top estimate at £23,100.

Another example of 17th century craftsmanship to do even better was a bronze relief of the temptation of Adam and Eve by Fanelli. It went to the London dealer Humphries for £46,200, as against a £15,000 top forecast. It was in the Wernher collection at Luton Hoo and was stolen from there in 1966 and subsequently recovered. Recent research has attributed it to Fanelli who was the Italian court sculptor to King Charles I: it marks the first extant work by him on a religious theme to surface.

The Birmingham Public Library was the main buyer when Christie's sold off 33 drawings relating to Matthew Boulton, the 18th century manufacturer, who ran a factory to make steel toys at Soho, then just outside Birmingham. It spent £47,828, including £9,350 on five drawings by James Wyatt of Soho House. A design of the Imperial Mint in St Petersburg sold for £9,900. All told the Boulton collection realised £83,908.

In the English watercolour sale a watercolour by Ford Madox Brown showing Romeo embracing Juliet on the balcony was sold for £28,600, three times the forecast, while a typical Archibald Thorburn bird picture, depicting a couple of pheasants and a cuckoo, made £26,400. A rural scene by Myles Birket Foster "A peep at the hounds" went for £12,650; on earlier visits to Christie's it sold for 135 guineas in 1888; 150 guineas 11 years later; just 70 guineas in 1933, and 280 guineas in 1959.

Phillips did quite well with British paintings: a total of £519,959 and 15 per cent unsold. Ackermann, the London dealer, paid £104,500 for a bay hunter, painted by Ben Marshall. "The HMS Pique" shown fighting the Labrador rocks in 1830, by John Sebetky went for £25,850.

FINANCIAL TIMES
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Wednesday December 17 1986

First step to CAP reform

AT LAST, the reform of Europe's Common Agricultural Policy is back on top of the EEC agenda. The past seven days and five nights of marathon negotiations have seen to that. It is no fun for those involved. Unscrambling the accumulated errors of years is horrendously difficult, and every single member of the Community has powerful political reasons for resisting change.

It is right that it should be at the top of the agenda, however, because reform of the CAP has become a precondition for practically any other progress towards a more integrated Community. Whether it be joint research programmes, job creation schemes, student exchanges, or completion of the Common Market itself, all have been effectively stifled by the all-devouring cuckoo in the Community nest—the CAP.

Mrs Margaret Thatcher, the British Prime Minister, made it perfectly clear after her boisterous encounter with the European parliament last week: she was not prepared to recommend any increase in national contributions to the EEC budget until she was convinced that agriculture spending was being brought under control. She is not alone. Mr Gerhard Stoltenberg, the West German Finance Minister, says the same — with the proviso that farm reform will cost more, not less, in the short term. They represent the two largest net contributors.

Hydra-headed

On the other hand, the Mediterranean members of the Community are adamant that they cannot go along with a headlong rush to an open Common Market by 1992 unless they get some transfer of resources to compensate for their big trade deficits. Greece and now Spain are cases in point. They want more cash in the social and regional funds.

To its credit, the European parliament itself — not always the most coherent of institutions — was the body which last week insisted on making the link between agriculture and the rest of the budget official. It refused to approve a 1987 budget until the Agriculture Ministers had done something to cut the costs of their huge surplus (almost Ecu 23bn out of Ecu 36.3bn or practically two-thirds).

That says a lot for the growing majority of the Parliament, directly elected since 1979, but hitherto tending to show more enthusiasm to exercise its limited powers than its even more limited responsibilities. The Council of Ministers representing the governments of the 12 member states, is a hydra-headed body, where each set of ministers (agriculture or industry, finance or foreign) tends to take not a blind bit of notice of the others. The parliament and the European Commission are theoretically capable of imposing greater unity and coherence on the debate.

It is the council, however, which ultimately controls the purse strings, and represents the taxpayers of the member states. It has sought to impose a complex formula of "budget discipline" along the lines of Gramm-Rudman to restrain its own excesses. It has hitherto had equally little success as that US Congress measure.

External pressure

In spite of the fact that the parliament gave Mrs Thatcher a bad time last week, the MEPs nevertheless gave the British presidency in the Agriculture Council some crucial tactical support. The belated conversion of the Strasbourg assembly to CAP reform indicates two things: that the policy as it stands, boosting production of unsaleable food surpluses, is no longer tenable with the electorate; and that the balance of the 12-nation EEC has shifted in favour of other policies.

The external pressure on the farm ministers has also been significant. As long as they fail to bite the bullet of reform, the Community is fatally weakened in resisting the trade pressures of others such as the US. The failure of last weekend's EEC-US talks on compensation for lost US maize sales to Spain was inextricably linked with the deadlock in the Farm Council at the time.

Yesterday's progress on reform of both the dairy and beef sectors is most remarkable for the fact that France's Mr François Guillaume went along with it. It shows that France is now itself a net EEC budget contributor, and has read the writing on the wall.

Some will say the reform is too little too late. It is. But it will nonetheless give the whole sector a severe jolt, and should prove to be the first step in what must now be a real reappraisal of Community objectives — a debate promised for the coming year.

UK-INDIA POWER PROJECT

Problems of an arranged match

By John Elliott

IT WAS in the best traditions of an arranged Indian marriage. The couple had never met, let alone tested each other's personalities.

Two mothers talked, agreed the suitability of the match and fixed financial terms. So determined were the matchmakers that the partners had no chance to discuss the sort of life they were to lead together, nor the problem that the more westernised partner would have living and working in a remote, uncomfortable corner of an alien land.

Today there are more strains in the marriage, now four years old, than is usual in India. An industrial liaison, it was arranged in 1982 by Mrs Margaret Thatcher and the late Mrs Indira Gandhi, prime ministers of the UK and India, between Northern Engineering Industries (NEI) of the UK and India's national thermal power corporation (NTPC) to build a 1,000 mw (£230m) coal-fired power station in one of India's most remote areas at Rihand.

On the site, tribal women wearing bright saris, some clutching babies to their breasts, carry piles of a dozen bricks or a basket-full of concrete on their heads. Working alongside modern electronic and power engineering technology, they graphically illustrate the contrasts as India follows a high-technology development course, hoping there will be a trickle down of benefit to the rural poor.

Children wield shovels on the edge of excavations, adding to an untidy jumble of activity which horrifies foreign engineers but is accepted as normal and almost inevitable in a country which is adept at suddenly producing order out of apparent chaos.

The contract for the second 1,000 mw stage of the power station is to be placed soon. A debate is raging in India and the UK about NEI's future in the relationship because it is nine months — and maybe as much as 12 to 15 months — late on the first stage. General Electric of the UK (GEC), the spurned suitor in 1982, is mounting a campaign to replace NEI, and the NTPC is considering whether it should take a more dominant position in the relationship.

What has happened in these four years illustrates the problems faced by foreign companies learning how to operate in India's frustrating industrial environment.

It also forms part of the story of India's efforts to tackle debilitating electric power shortages which cause erratic blackouts across the country and expensive factory shutdowns, probably cutting annual industrial production by 2 per cent, though some estimates go as high as 10 per cent.

NEI's site is on the Rihand lake, five hours' bumpy drive from the sacred Hindu city of Varanasi in the northern Indian state of Uttar Pradesh—a heavily forested, and until the 1960s, a largely unexplored area of considerable beauty. Its 350,000 local population is made up of India's poorest Harijan caste plus 13 tribes who traditionally worshipped trees, fire and snakes and relied on food gathering and hunting, with little organised cultivation.

"The development passes over the heads of these people and their villages like the electricity cables soaring overhead. They remain in poverty, sometimes ousted from their land and facing ill health from tuberculosis," says Mr Prem Bhai, a social worker who runs a local ashram to help development of the area's 400 villages.

The construction of an irrigation and small hydro-electric dam in the 1960s, which created the Rihand lake, started to change the area's environment. Now it is becoming a massive coal-fired electricity generation centre with sites earmarked for eight power stations generating 20,000 MW. If it went ahead this would equal almost half India's current output.

New cement and aluminium plants are polluting the air, and the landscape is being scarred by overburden from open cast mines in the adjacent Singrauli Hills, which have reserves of 10bn tonnes of poor quality coal for the power stations.

But after more than a decade of government inaction, there are signs that India is learning from the West's early industrial development. Care is being taken over dumping of ash and effluent from the power stations which could pollute the Rihand lake, and tens of thousands of trees are being planted around the works and neighbouring townships.

Mr Prem Bhai and other environmental lobby groups are winning legal cases for the local inhabitants' land and forest rights and might also force the Government to restrict the power development to four or five stations producing only 12,000 MW.

Until the 1970s India's power stations were built by individual state governments close to areas of high demand. But they were and still are inefficiently run, operating often at only 50 per cent capacity, with over 20 per cent losses in transmission and distribution.

Half these losses are theft, ranging from slum dwellers hooking up overnight with a wire into an overhead power line, to unpaid bills and bribes for regular free power supplies.

The coal had to be hauled hundreds of miles across the country, clogging the busy railway system and wasting resources because 30 to 40 per cent of the coal is useless ash and silica.

So the policy was changed and moves towards regional grids covering several states and later a national grid was started. The NTPC was created 10 years ago to build stations near coal fields, using modern high voltage transmission lines to take the power to the load centres—1,000 to 1,500 of Rihand's eventual 2,000-3,000 MW output will travel nearly 1,000 km by high voltage direct current lines, now being installed by Asea of Sweden, to serve New Delhi.

A concentrated construction programme, including building the country's first 500 MW turbines at Rihand and other stations, is aimed at boosting India's present installed capacity of approaching 45,000 MW. This was only 1,500 MW at independence almost 40 years ago. India's seventh Five Year Plan for 1986-90 provides Rps 350bn to raise this by 50 per cent to 64,000 MW.

But there will still be a 10 per cent power shortage which the Government hopes to bridge partly by modernising old plants, and building short-gestation natural gas fired plants, and by obtaining aid, usually tied to equipment supplies, from countries such as the UK, the USSR, Canada, France, and West Germany to fund projects additional to the five-year plan.

The Rihand contract was arranged as one of these sort of additional projects during the last sixth plan, with about half the £230m contract value being covered by British aid grants. The two prime ministers envisaged a British power station being planted in India as a turnkey project identical to plants built for the UK's Central Electricity Generating Board, subject only to relatively minor changes to take account of the Indian climate and environment.

It was this grand concept which partly sowed the seeds for the problems that followed because it rapidly emerged that this was not in line with the ambitions of India's NTPC, a relatively new and efficient public sector organisation that was making a name for itself domestically and internationally in the power industry and had never before had to cope with a foreign turnkey contractor.

Its other contracts with the Soviet Union, which is also building a power station at Vindyachal on the Rihand lake, and with companies such as Ansaldo of Italy, have left it with the final project management responsibilities. But it does not always have its way on the less sophisticated but cheaper Soviet stations. Clashes followed as NEI, which was chosen by the UK government in preference to GEC, but had no turnkey experience on a power station, resisted and

A power station resisted and argued its way through countless proposed design and other changes. It then gave way too often without extracting extra payments from the client. The arguments continue.

India is intensely proud of its independence and status as one of the world's largest developing countries and it resists anything that it believes might undermine this, especially if a foreign country is involved. Dignity and heirarchies are maintained at all cost.

NEI itself, which has 60 per cent of the contract spread around its UK manufacturing subsidiaries, also ran into early problems because it had neither the turnkey experience nor the managerial and engineering top staff to move quickly into action. Its reputation deteriorated. It found it had few friends or supporters either in the UK or India and it is only now regaining its self-confidence.

The contract rapidly slipped six months to a year behind schedule and has now been rescheduled with a target of making the station's first 500 Mw turbine operational by next October. There is now a risk that problems largely outside NEI's control may cause three to six months' further delays, but this is not acknowledged officially by anyone involved. "We are all struggling to meet the October schedule but there is no margin left and that is worrying for us," says Mr M. L. Shishoo, NTPC's chairman.

NEI now acknowledges its early failings, which were followed by a stream of disruptive changes in top corporate and project management, and it is still involved in establishing an effective presence in India which commands respect on the site and elsewhere. "We accept the people we respect" commented an NTPC executive, when challenged about his organisation's sometimes elitist attitudes.

In the past 18 months NEI has also made major improvements on the contract, although these gains have now been partially upset by site problems and delays caused by Indian civil engineering contractors, especially the government-owned National Projects Corporation, which has a poor reputation.

Delays in design approvals and in civil engineering construction have been the main problems, but there have also been hold-ups in supplies from sub-contractors including two Babcock International companies in the UK, which have £24m of piping and coal handling contracts, and from NEI subsidiaries. Even GEC, with work on the contract valued at £42m, has had problems with Indian quality inspectors on some turbine shafts and pipework.

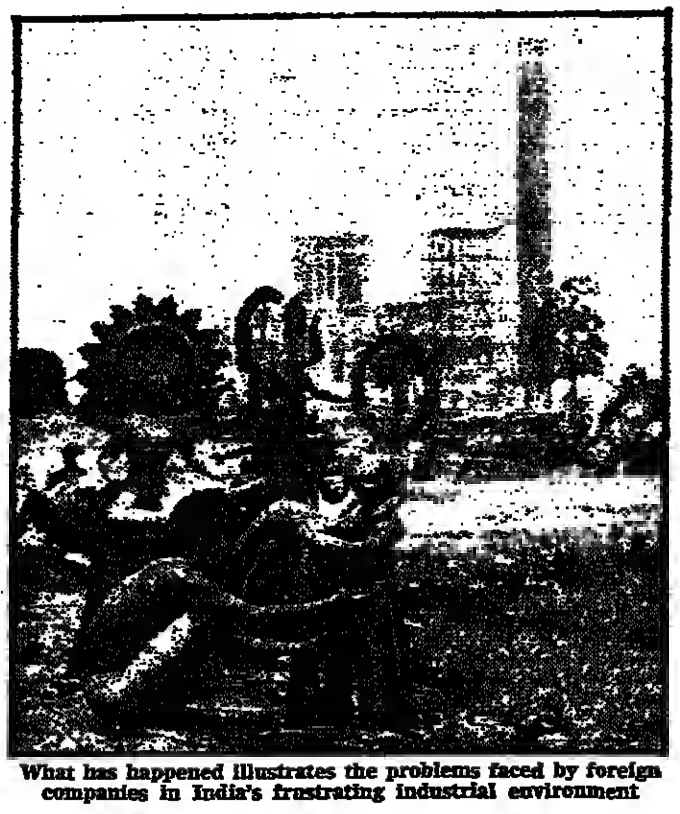
NTPC has been loth to allow NEI to operate independently as a project manager. Inevitably it pulls more rank with the Indian sub-contractors. NTPC was partly responsible for choosing, than the UK company and even formal lines of authority are ambiguous. Endless rows are continuing about late delivery of civil engineering drawings from British consultants, the site information passed to those consultants by NTPC, the resulting civil work and, with a classic example of Indian logic, over who is ultimately responsible for delays when everyone is late. "Your equipment is late and is not here so why are you arguing about Indian civil works being late?" is often NTPC's defence. "The relationship between the NTPC and us is strengthening all the time and we are working to the October target."

The problems have been compounded by appalling communications on what NTPC acknowledges is its most remote site. NTPC has a radio link but there are no telephones or telexes and all communication starts with a five-hour drive to Varanasi. Applications for radio and satellite link-ups have been turned down by the Government because of security concerns and difficulties with the postal monopoly.

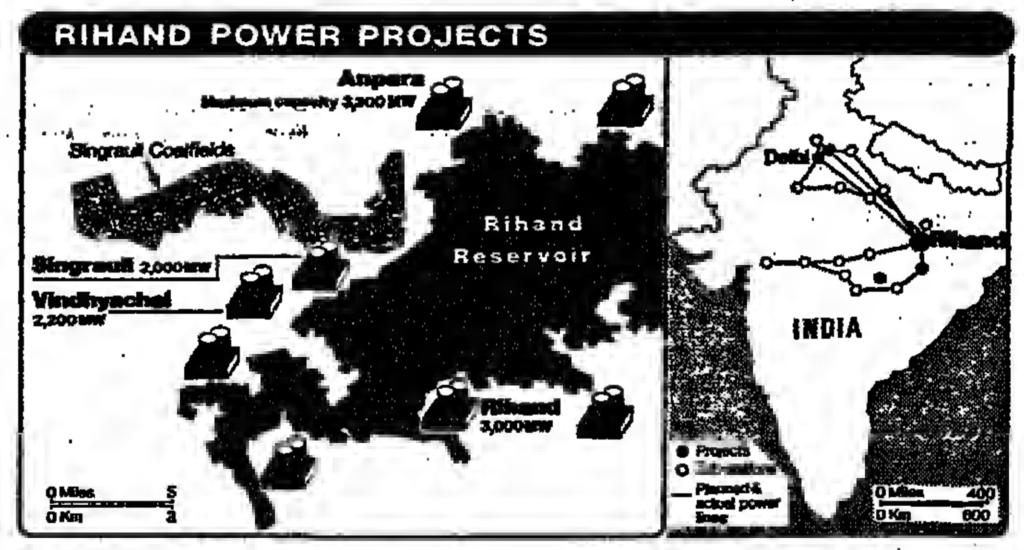
But NEI is credited with having mastered many of the problems and this is its biggest argument for being awarded the lead role on the second stage of the project, for which the British government is now preparing an aid-backed proposal. "The were problems at the start of this project and these are being worked out," says Mr Peter Lockton, managing director of NEI power projects.

Some officials are arguing that the NTPC should stop blurring lines of responsibility and itself take over site erection work for the next stage.

But whatever happens both NTPC and NEI agree that they have learned that next time the specifications and procedures should be agreed in detail by those involved, not just by match-making prime ministers.



What has happened illustrates the problems faced by foreign companies in India's frustrating industrial environment



Need for realism on the Airbus

THE UK Government will soon have to decide whether to grant British Aerospace up to £750m in launch aid for its role in developing wings for the next generation of European Airbuses — the short-haul, twin-engined A-330, and long-range, four-engined A-340. Ministers need to ask whether both aircraft are really necessary in the light of world demand. There is a strong case for dropping the A-340 and spending a smaller sum on the A-330 only.

Such heresy may upset Airbus Industrie, but the Government must seek satisfactory answers before committing its cash. The aerospace industry is already well favoured with government funds, and stands to get much more, albeit through defence votes—on the European fighter and its engine, the Nimrod or Boeing AWACS, and the EH-101 helicopter, apart from missile and space projects. In civil ventures, £250m is outstanding in launch aid on the existing A-320 Airbus, which is selling well.

BAe says that the launch aid now sought only covers part of the total cost of the UK's share of the A-330/A-340. The £750m will cover wing development, with a further large sum necessary from BAe's own resources to finance initial production, although as latter cash should flow back quickly as wings are delivered.

Key markets

Against such heavy cash needs, the market potential for both new Airbuses must be assessed carefully. Airbus sees a bright future for the A-330 in short-to-medium high-density traffic markets, but says the market for the long-range A-340 would be much smaller. It admits that the A-340 is justifiable only because it can be developed as a variant of the A-330, keeping costs down by using common wings, basic fuselage, cockpit and systems, although the engines differ in type and number.

Thus, while the market basis for the A-330 appears sound, that for the A-340 does not. Despite Airbus's claims that the A-340 is superior in range and technology, McDonnell Douglas of the US is already winning orders with its rival MD-11 tri-jet, and on current indications may take some key European markets that Airbus must win to keep the A-340 credible. British Caledonian has already opted for MD-11s, and British Airways says it does not want the A-340. The MD-11 has won a head-start on the A-340, and will be in service two years earlier, in 1990 against 1992. Moreover, competition from Boeing will be formidable, with a probable short-body variant of the 747 Jumbo, ensuring a fierce three-cornered fight for orders.

Common sense

The UK is not alone in having doubts about funds. There are signs that Deutsche Airbus is finding the going tough, and may have to seek additional government credits for its share of the A-330/A-340. Meanwhile, the US is becoming outspokenly impatient over what it regards as direct European government subsidies for Airbus, which it believes violates the GATT.

All this must oblige the UK Government, if not BAe and Airbus itself, to reconsider the A-340. Although earlier attempts to agree on collaboration with McDonnell Douglas failed, it is not too late for Airbus to review its stance, drop the A-340, and seek a share of the MD-11, with the US company participating on the A-330 — though Airbus argues that the A-330 itself might compete with the MD-11 in some areas. Such a move would not be humiliation for Airbus, but common sense. The competition for the A-330 will be hard enough, but for the A-340 it could be crippling. By bringing in an American partner, Airbus Industrie would strengthen its position in world markets and improve its prospects of commercial viability.

Men and Matters

Man at the gates

Those in Washington who have been looking for parallels between the Iran controversy and the Watergate affair were given another snippet to support their arguments yesterday when the dapper Senator Daniel Inouye, Hawaii's senior elected representative, was named by the senate leadership to head the special committee which is to probe the White House arms deals with Iran.

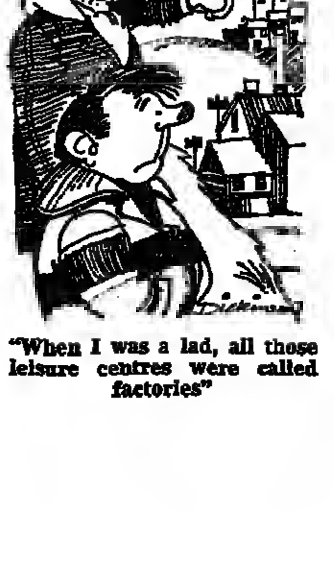
Senator Inouye, a strong Democrat, who has held office for 25 years, was an active member of the senate Watergate committee in 1973. He played an influential but low-key role in the investigations that led to the fall of President Richard Nixon.

"He's a very savvy fellow. A very shrewd and calculating politician who knows how to play his chips well," was the judgment offered yesterday by one Capitol Hill expert who dealt with Inouye when the senator was chairman of the senate foreign aid sub-committee.

Inouye, who lost an arm fighting in Italy with the Japanese-American brigade in the Second World War, is known to be politically ambitious as well as being a particularly able man.

Remembering not only the television exposure which he is likely to get as chairman of the committee, but also the ability to use the committee—if he so wishes—to conduct a sweeping inquiry into the Reagan administration's foreign policy, his selection indicates the confidence his colleagues have in his judgment.

Assuming that he acquits himself well, his stature in the Democratic party will be further enhanced.



"When I was a lad, all those leisure centres were called factories"

Jungle journey

Britain can have confidence in its new man at the United Nations. Sir Crispin Tickell is the kind of man that people happily follow into the jungle.

As head of the Overseas Development Administration, Tickell was approached earlier this year by the environmental organisation, Earthlife, to support a project to preserve an area of rain-forest at Korup in Cameroon.

Tickell, 56, whose hobbies include climatology, and who takes a personal interest in environmental matters, joined an expedition to Korup to see for himself how the land lay. The result was that the ODA put up £400,000 to establish a national park in the area.

But Tickell makes himself at home in any environment. In his last overseas posting as ambassador to Mexico, he got on extraordinarily well with the Mexican Government and the British business community.

He has proved equally adept at mastering the labyrinths of the EEC. He was private secretary to Geoffrey Rippon during the negotiations for Britain's entry in the early 1970s. And as deputy under-secretary for economic affairs at the Foreign Office a couple of years ago, he was credited with much of the groundwork for the successful negotiation of Britain's budget rebates.

Poetic line

Those used to seeing Norman Willis, the TUC's general secretary, wrestling with intractable disputes might have been a little surprised to see him in a rather different role last night.

Willis was presenting the prizes in the Poetry Society's national poetry competition at the society's west London headquarters. Actually, the role isn't too unusual: Willis is the society's national vice-president, and a keen (if largely unpublished) poet himself.

"I was very pleased, in one way, to be asked to present the prizes," Willis said, in advance of his task. "But in another way I wasn't—because I'd entered the competition myself."

Ideas unlimited

A shopping trip to Woolworth's gave aircraft engineer, Mick Rowlenson, a simple idea which is now saving British Airways £50,000 a year. His brainwave solved a problem which had baffled BA consultants—developing an efficient method of cleaning the undercarriage of Boeing 737s.

Rowlenson's new machine, based on a brush he bought in Woolworth's, has already earned him a £5,000 reward from the airlines. Last night his idea was further rewarded with first prize in a competition organised by the Industrial Society and the BBC. The prize is a free trip to the United States—with TWA, one of the BA's rivals.

TWA is one of the sponsors of the "Ideas Unlimited" competition to find Britain's best company suggestion scheme. This year it attracted more than 50 entries.

Among the other winners were Birmingham-based Lucas Industries, whose workers put forward ideas which saved the company nearly £1m last year. Perkins, the diesel engine maker, of Peterborough, last year saved £200,000 by implementing employees' suggestions — and the workers were given £47,000 as a reward.

Hampshire-based Colt International got little response to its efforts to stimulate cost-saving ideas among its workers until it plastered its factory with posters of an owl dressed in top hat and tails and known as Mr Pickwit. The mascot encouraged workers to come up with suggestions which have saved Colt thousands of pounds.

Musical note

Japan may be reluctant to import many things from the West, but one thing it can not get enough of is classical music. As the year ends, the traditional food may be mochi (a sticky rice pulp), but the traditional music to munch it to is Beethoven's Ninth.

There will be 130 performances of the Ninth this month in Japan, with full orchestra and chorus. There will be 15 concerts on Sunday alone, the biggest in Osaka, with three orchestras and a 10,000-voice chorus.

For those still learning the tradition, Japan's educational TV channel is showing a programme entitled "Let's Learn the 9th." The text for the programme has already sold 150,000 copies.

This all makes for a busy month for tenor, Hayashi Makoto, who will perform at 20 concerts. The Osaka Philharmonic, which will play the Ninth no less than 18 times this season, reckons it has performed the symphony 414 times since 1948.

Observer

EUROPEAN SEMICONDUCTOR INDUSTRY

Getting down to nuts and bolts

By Terry Dodsworth and Paul Betts

IT WOULD BE difficult to think of a sector where the problems and opportunities for European industry are thrown into sharper contrast than in semiconductors. On the one hand stands Old Man Europe, arthritic and slow to respond, steadily falling further behind in the race for competitive new technologies. On the other is a group of resurgent, visionary companies intent on rolling back a decade of reversals, more than ever aware of the perils of the region's barrier-ridden industrial structure.

The new-found competitive grit of a handful of European companies was underscored last week when Thomson, the nationalised French electronics group, said that it was linking up with SGS-Ates of Italy in a FFr 1.5bn research project in programmable memory microchips. European technology ministers meeting in Stockholm today will determine whether the venture receives funding under the Eureka research programme. This initiative is only the latest in a number of ambitious takeovers and alliances by the French company, undertaken with characteristic Gallic references to "national challenge" and "national choice" and a series of similar projects by Siemens of West Germany and Philips of Holland.

The special significance of semiconductors is that they are widely regarded as the key to a large variety of other technology-based industries. As the complexity and refinement of semiconductor design has advanced, so has the importance of these tiny components as the essential building blocks in the mastery of other electronic products. The argument is that the company with access to the most advanced chip has a head start in the design of the best robot, or the most effective telecommunications switch, or the most clever military hardware.

"The Europeans seem to have realised that if you want your end equipment industries to grow, you need the nuts and bolts technology to be able to do it," says Mr Jim Beveridge, associated director at Dataquest, the market research group.

The change of emphasis to nuts and bolts technology has driven the Europeans inexorably towards work on the next generation of memory chips. These semiconductors are the workhorses of the industry, present in virtually any electronics product, and made in vast quantities in highly capital intensive plants.

Traditionally, European manufacturers have steered clear of this area, partly because Japanese production methods and fastidious quality controls have made the sector highly competitive, partly because the end market for these products is not so strong in Europe, and partly because they saw the opportunity for better margins in lower-volume chips aimed at more specific markets.

This trend has been particularly pronounced in the UK, where the fragmentation of the electronics industry has left limited scope for semi-conductor example, have become specialised producers rather than jumping into the mass-market, manufacturers. Companies like Ferranti and Plessey, for commodity game. GEC, after collapse of a planned joint venture with Fairchild, also makes specialised chips, mainly for its own use; and the UK's entry into high-volume memory chips, Inmos, now owned by Thorn-EMI, is still facing problems at persuading customers to accept its innovative 'transputer' chip technology.

Today, however, many European integrated electronics companies are taking a leaf out of the book of their Japanese competitors and arguing that the technology gained in manufacturing memories is vital in producing other components as well. The Europeans now believe that they will not be able to keep up either in specialised chips or in developing new systems packages unless they command the technology used for making the most up-to-date memory devices.

"We feel that if we abandon our role in producing semiconductors we shall also lose out on our systems design," says Siemens. "Right now we would not be able to produce our PABX (private telephone exchange) system if we had to buy semiconductors on the world market."

Similarly, Philips calls a new chip it is designing jointly with Siemens a "carrier product" which will "help to speed up the process of establishing control over the new technology."

Once that control is established, the lessons will be fed into more specialised products aimed at specific applications: Siemens, for example, is homing in on families of chips for a variety of electronic systems—telecommunications, the car industry and factory automation. Thomson's area of particular interest is in military applications, while Philips, the largest European semiconductor producer, needs chips for its consumer products division.

Siemens has highlighted the new thinking in the most ambitious of the new wave of research and development programmes so far, the $1bn Megaproject, a collaboration between Siemens and Philips on the next generation of advanced memory chip devices.

Other European developments include:

● Thomson's $71m takeover of Mostek, the US semiconductor group which was losing $1m a day on manufacturing standard chips before the French group stepped in. There is now strong speculation in France that Thomson's present proposals to collaborate with SGS may be followed by shareholding links between itself and the Italian company.

● An investment by SGS, which is part of the Italian state-owned IRI group, in a semiconductor plant in Singapore.

● A proposed collaborative venture under the EEC-backed Esprit-2 research umbrella between Thomson, Siemens and Philips in the advanced microprocessor field.

The gamble on new investment, however, raises a number of questions. First, it is being undertaken against the background of an extremely fragile industrial structure.

Indigenous European suppliers only accounted for about 3 per cent of the world semiconductor market last year, down from 7 per cent the year before, and even within western Europe they achieved less than 40 per cent of total shipments. This position makes for a weak base from which to achieve the economies of scale necessary in memory chip production.

Second, the European producers are fighting against deeply entrenched competitors on their own doorstep in the shape of the big American companies. Together, the Americans account for almost 50 per cent of western Europe's shipments.

At the same time, the Japanese are methodically moving ahead, rapidly pushing up their deliveries through a combination of imports, local assembly and—in the near future—local manufacturing.

Third, the new research and development programmes are becoming dangerously dependent on the oxygen pumped in by government aid policies. Almost a third of the cost of the Megaproject is being shouldered by the Dutch and West German governments; and Thomson has absorbed FFr 3.5bn in capital grants from its state shareholder over the last three years, most of which has gone into semiconductors. SGS-Ates is also receiving substantial goverment support. Some critics argue that government-funded research leads to a visionary and impractical approach by the Europeans. Mr Robb Wilmot, the architect of the recovery of ICL, the UK computer group, contends for example that Europe already spends as much on research as the Japanese, but fails to funnel it into competitive businesses. "The real issue is the yield and pace of research," he says. "We are just getting more research and development that is either not very good or too late to do anything."

Finally, the Europeans have yet to overcome the problems posed by the nationalistic sub-markets within the region. US suppliers have become more effective at developing Europe-wide networks than their indigenous competitors, hampered by decades of cultural barriers and the bias produced by national procurement policies.

Mr Wilmot and a polyglot group of electronics specialists have come up with a novel response to this conundrum—a start-up semiconductor chip manufacturing company called ES2 (European Silicon Structures) that has no national allegiances, and which aims to tap all west European markets equally through a network of local operations. It is too much to expect that this pattern could be repeated by the large established electronics groups; but the system of alliances now being developed in the latest research initiatives is at least touching on the problems of scale and limited international reach of Europe's embattled national champions.

UK teachers' pay

Putting the case for fewer differentials

By Peter Smith

THE REFORMED salary structure which Mr Kenneth Baker, the Education Secretary threatens to impose on teachers if they do not accept it willingly has great appeal. A basic scale would guarantee all teachers a maximum annual salary of £12,700; a system of five additional allowances would place 35 per cent of teachers on promoted levels immediately. By 1990, 40 per cent of primary and 60 per cent of secondary teachers would hold Mr Baker's "incentive posts."

The Baker rationale is, on the face of it, convincing. To "recruit, retain and motivate" enough teachers of the right quality, he argues that there must be incentives to reward good classroom teaching and extra responsibility. The same pattern of differentials would make it possible to buy in shortage subject specialists—mathematicians and physicists, for example. It could be used to attract good teachers to difficult inner city schools.

Why then are the local authority employers and two unions representing nearly three-quarters of the country's teachers so perversely addicted to their own scheme, with its higher basic scale but only two levels of allowance for a much smaller number of teachers? Because they believe that Mr Baker's solution, for all its apparent logic, will not actually work.

The existing and antiquated five-scale structure links the availability of promoted posts in any school to its size and age-range. With a steep and continuing decline in the child population the system has collapsed. As schools have shrunk, been merged or closed, new promoted posts have all but disappeared. Over 60 per cent of teachers are now paid on the two lowest scales with little or no prospect of career advancement.

The teachers' answer is to sever that mechanical, arbitrary link. Their basic scale, far higher than Mr Baker's, would mean that, in a graduate profession, *all* teachers could look forward to a proper professional income, irrespective of the size of school in which they happen to teach or accidental vacancies opened up by departing senior colleagues. If Mr Baker's scheme would meet the crisis caused by the falling school population similarly, he has certainly not given the evidence. No one knows exactly how his incentive posts would be allocated. His plan seems to be to replace one collapsed system by another with precisely the same inherent weakness.

What of the argument that the teachers' structure, paying over three-quarters of the workforce on the same scale, would generate the least common denominator of effort, commitment and performance? To suggest that is to misunderstand what motivates good teachers. It is not the prospect of hopping from promoted post to promoted post, each leading further and further from the classroom. They will do so if that is the only route to reasonable living standards, but almost incomprehensibly to those in industry and commerce, most teachers, given the guarantee of a professional salary, derive job satisfaction hardly at all from that kind of career movement. Unlike those who make identifiable products or provide finite services, the business of teaching requires continuity, sustained professional commitment to children over a long period and the personal reward of assisting their intellectual, emotional and social development. That is why most teachers enter the classroom in the first place, and that is the truth which lies beneath the sentimental Mr Chips caricature.

If improving teacher quality will not essentially come from salary differentials, what is the answer? It is threefold. First there must be a far more effective screening of entrants to the profession. The teachers' scheme provides that, with a two-year entry grade with sudden death assessment at the end. Second there must be appraisal throughout every teacher's subsequent career so that weaknesses can be identified and strengths fully used. The teachers and authorities have agreed the ground rules on that and government-funded pilot schemes are almost under way. Third, there must be a far more effective, systematic and rigorous in-service training so that teachers can constantly update their specialisations and techniques.

And if none of that works? Dismissal — for contrary to popular and very widespread myth, teachers are not uniquely exempt from the threat of disciplinary action. The overwhelming majority of teachers, conceded by Mr Baker to be hardworking and effective, have no more wish to carry incompetent colleagues than he does. It cannot be right that they should, in effect, be financially penalised because employing authorities all too often will not bite the bullet and take the necessary action.

As for the need to attract shortage subject classroom teachers, is Mr Baker's solution convincing? Only if he can produce real evidence that physicists or mathematicians make inherently better middle and senior managers than those qualified in other disciplines. Otherwise he relies on tiny bribes disguised as major pre-entry incentives. They are as likely to attract poor maths and physics teachers as the effective specialists we really need. The market-place argument is defective in that it assumes that good teachers teach primarily for financial reward.

Mr Baker's argument that the teachers' two promoted allowance levels offer a simplistic solution to managing large schools has considerable force, but lacks general validity. Over 80 per cent of schools have 15 or fewer teachers. To provide those schools, in addition to their heads and deputies, with three or even five management tiers will lead to unnecessary, spurious responsibility structures when what they actually need is strongly led but essentially corporate teamwork. It is precisely that corporate teamwork which the teachers' higher basic scale would promote.

The teachers' package is not nearly so inappropriate to the genuine problems as Mr Baker alleges, nor is his deal so self-evidently better. A durable settlement to a long and regrettable dispute can come only from continuing, genuine and urgent dialogue, not from a protracted battle of wills. The country's young deserve no less.

The author is deputy general secretary of the Assistant Masters and Mistresses Association.

Letters to the Editor

The state of housing

From the Chairman, Policy & Projects Committee, Shelter

Sir, — There are no major problems with the UK tax régime for housing, and therefore no adverse effects on the economy. That is official — from the secretary-general of the Building Societies Association (December 12).

What else can we infer from Mr Boleat when he ignores the Financial Times's recent publication of three features, and a stream of correspondence, expressing misgivings — all of which complement the major reports I quoted (December 9) and just about every other serious analysis of the housing mess? Readers can surely expect a more responsible debate from the BSA than the aggression and complacency which met Shelter's case.

Mr Boleat rubbished our argument by quoting only the internationally small value of UK housing construction, in order to claim no competition with other sectors of the economy. He chose to ignore the tenfold value of funds sucked into the mortgage market, which stimulates only the paper value of houses already built; by claiming that the mortgage borrowing requirement does not matter because it is balanced by an increase in lenders. Of course, balance sheets balance. What matters are the distortions along the funds circuit of this new torrent of liquidity: inflation, consumption, imports, the ice cream economy; by arguing that cash guzzling by the mortgage market cannot coincide with asset stripping of the housing stock in the "equity withdrawal" process confirmed by the Bank of England. Turning into cash, the UK's accumulated wealth of previous investment in bricks and mortar is serious. The obsolescence of the stock is undermining its real, as opposed to its paper, value—and thereby creating a liability for the next generation; and by ignoring benefits other than mortgage relief to home-owners—that is the unique essence of tax on the investment income in kind which my house gives me (frequently taxed elsewhere in the OECD); the likelihood that my house will be the major beneficiary from the lenient incidence of inheritance tax; the real appreciation of house values (albeit within the tax-free margins). Hence the arithmetic suggests that we home-owners eventually receive a 100 per cent (or more) reimbursement on our initial outlay — or free housing.

Mr Harris (December 13) was at least constructive in arguing the logic of economic pricing for rented housing. But capital value rents in the public sector would imply economic pricing for home owners, in line with the fiscal neutrality argued by the CBI in 1985.

In order to reverse the tide of homelessness, Shelter's plea is: concentrate today on a phased redistribution of the excessive privileges of home ownership; explore tomorrow what distortions in the wider economy result from continuing to subsidise housing consumption in all sectors.

Bernard Kilroy.
157, Waterloo Rd, SE1.

Buildings in the City

From Mr C Croot

Sir,—The point made by Mr Woodward, chairman of the City Heritage Society (December 15) that "new buildings must have some respect for their neighbours" seems to me to be a very important one.

Property developers can marshall powerful influence in proposing big new buildings in the City. The Leo House proposal was, after all, rejected by a margin of only one vote in the City's Court of Common Council.

But property developers, quite understandably, are pursuing their own interests and these do not always necessarily coincide with the rest of the community which works and lives in the City. Mr Woodward's, and his society's approach, as indicated by his letter, seems reasonable, objective and takes in the interests of all concerned. I very much hope that many readers will support me in applauding his remarks.

Charles Croot,
131, Thomas More House, Barbican, EC2.

Inflation in Spain

From Mr M. Dickinson

Sir, — Congratulations to David White and his colleagues on an excellent survey of Spain (December 1).

Nevertheless I feel that the correctly reported view of the Spanish Government that "Inflation . . . is expected to end the year only slightly above target at 9 per cent . . ." calls for some elaboration.

The Spanish concept of courtesy is to say what one believes the listener wishes to hear, without too much regard to the facts. In this respect, who is to say that Felipe Gonzalez is not courteous?

I have yet to meet anyone among my professional friends who admits to a current inflation rate of less than 15 per cent, and the majority view is over 20 per cent.

The Government has had luck with petrol, and the prices of bread, alcohol, and tobacco contribute to favourable statistics. Judging by the price of my weekly shopping basket, however, there is no escaping the fact that inflation in Spain is substantially above the official figure, and there is every indication that it will get worse.

To quote one example: sardines form part of the staple diet in this area. They are cheap and nutritious and readily available. In January-February this year I paid 90/100 pesetas per kilo in the local fish market. At the beginning of this month the price was 240 pesetas per kilo. Need I say more?

Maurice Dickinson,
Aptdo 196, Lorca, Murcia, Spain.

Beautiful increases

From Mr E. Whiting

Sir,—If one year's results are compared with the previous years, is it true and fair to compare accounting numbers after a major acquisition with the numbers before the acquisition? For some purposes, such as size of total assets, net assets and net worth, the answer must be yes. But, for group performance measures, it must be no; profit and loss account comparisons are misleading and useless.

The Guinness statement of the year's results in the full page advertisement (December 12) shows percentage increases in turnover and profit before tax, comparing the results of Guinness alone last year with the results of Guinness plus Distillers this year. The increase of 180 per cent in profit before tax may be partly due to improved performance, but generally it takes much more than one year for any material increase in company performance to emerge. Earnings per share comparisons also are not reliable because of different capitalisations after the margar.

Not so long ago, before the merger mania, when a company had made a major acquisition the comparative statement was shown also as if the new acquisition had not been made. Separation of the numbers has become much more difficult with sales as well as purchases of subsidiary companies, but it can be done. If nobody demands it, nobody will do it.

If investors take notice of such comparisons, it is no wonder that the bigger company groups can continue easily to effect bigger mergers by showing each year beautiful increases in the group profit and loss account.

Edwin Whiting.
Greybeck, Kinder Road, Hayfield, via Stockport.

Mortgages and pensions

From Mr H. Wynne-Griffith

Sir, — Mr Ian Walker takes me to task (December 10) for my criticism of pension mortgages. By way of riposte, I would simply state that you cannot have your cake and eat it. If you need a pension when you retire then you should save up for it. If you want to buy a house then that will also cost you a sacrifice in current consumption. You can certainly sacrifice future consumption by effecting a pension mortgage but do not be fooled by the spurious comparative figures displayed by salesmen into thinking that you are getting a house and a pension — you are not.

The fact that the Inland Revenue anomalously allows some pension to be commuted for a tax-free lump sum is irrelevant (the Revenue should get rid of this and also, therefore, benefit limits and the Superannuation Funds Office). Indeed, this anomaly makes the apparent attractiveness of pension mortgages even more so — but it is only apparent.

Dreadful consequences will ensure for both borrowers and lenders of pension mortgages if the Revenue does decide to remove the lump sum anomaly or if the pension contributions cease — now here's an inhibition to the mobility of labour!

H. R. Wynne-Griffith,
3 Dulwich Wood Avenue, SE19

Historic cost

From Mr I. Bloor

Sir,—It is with dismay that I have to agree with the point made in your leader of December 12 that the issue of "historic cost of nearly £1bn spent on Nimrod AEW development so far" is likely to be a factor which will be weighed in the ultimate choice between the two rival systems. It is a pity that you did not go on to point out that the £1bn, because it is sunk and irretrievable, should not figure at all in the present calculations since the only costs which now matter are the additional costs involved in providing a satisfactory AEW.

Looked at from this point of view the 11 Nimrod airframes, although they were highly expensive to build, now become in fact a free gift to the advantage of the GEC bid.

I. R. Bloor,
1, Brickfields Close, Wirksworth, Derbyshire.

FINANCIAL TIMES

Wednesday December 17 1986

Richard Johns and Max Wilkinson examine the sacked Petromin chief's record

Saudi oil man bows to inevitable

A FEW weeks ago a discreet messenger approached Dr Abdul Hadi Tahir, governor of Petromin, the Saudi Arabian oil company, to ask if he would prefer to be fired or resign of his own accord.

He is said to have replied: "Whoever marries my mother I will call uncle", none-too-polite Arabic acknowledgment of *force majeure*. As a result King Fahd, was obliged to dismiss him publicly and Dr Tahir was summoned to Geneva yesterday to hear the bad news personally from his old rival, Mr Hisham Nazer, the acting Oil Minister.

Dr Tahir was later seen walking despondently through the foyer of the Intercontinental Hotel where the Organisation of Petroleum Exporting Countries is locked in tense negotiations about production cuts.

The dismissal of Dr Tahir after 24 years at the head of Petromin (the General Petroleum and Minerals Organisation), was considered by many close observers to be almost an inevitable consequence of the dismissal of Sheikh Ahmed Zaki Yamani from his post as Oil Minister six weeks ago.

Petromin is responsible for the management of oil projects and for the production, storing and marketing of Saudi petroleum products inside and outside the kingdom. It operates three refineries at Riyadh, Jiddah and Yanbu for domestic demand and has a share in three export refineries.

Although Sheikh Yamani and the colourful Dr Tahir are known to

Mr Abdul Hadi Tahir

have been estranged for some years since Petromin was given responsibility for developing export-oriented refineries with Shell and Mobil, they had been in double harness for almost a quarter of a century.

Dr Tahir has been intimately involved in the details of the Saudi Arabian "net-back" deals associated with the previous policy of pushing for increased market share at discounted oil prices.

One of the first things that Mr Hisham Nazer said when be took over the Ministry of Petroleum was that he could not work with Dr Tahir, and an attempt was made to persuade the 56-year old governor to retire quietly.

Although Dr Tahir has been under strong criticism for his family's financial involvement in trading companies with which Petromin has dealings, he has earned the respect of Western oil companies for his acute and detailed grasp of the business.

He is regarded as a brilliant and amusing man, whose period of study in the US – he gained his PhD at Berkeley, California – made him completely at home with Western thoughts and ideas.

Dr Tahir was said to have appeared subservient in the presence of Sheikh Yamani, but on his own he struck visitors as an immensely authoritative boss of Petromin. His memory for detail is astonishing. Physically, however, he is somewhat small and unprepossessing; a man who cannot have endeared himself to the royal family by the press exposure given to a liaison with a woman in California in the mid-1970s.

He may also have been criticised for being less than successful in marketing products from the export-oriented refineries – although in this area he was until last year hamstrung by the kingdom's strict observance of official selling prices. The wisdom of building a third export-oriented refinery, the 325,000 barrels a day facility at Rabigh on the Red Sea, must have been questioned within the kingdom as well as abroad.

The project – a joint venture with the Greek ship owner John S. Latsis, with whom both he and Sheikh Yamani were closely associated – is still not complete, and as a simple plant looks to be of doubtful viability in present markets.

The thrust of Petromin's business and the petroleum products market has also been subject to comment among traders. Its dealings with Satoil, 60 per cent owned by Saudi interests and Grunwald, a company in which Dr Tahir's son Kahled has an interest, aroused suspicion and hostility in Riyadh, according to the Gulf delegates.

The Royal Court is understood to have requested recently an investigation into Saudi involvement with trading companies.

Dr Tahir may have been dismissed as part of a general desire by King Fahd and Mr Nazer to make a clean sweep of senior figures in the hydrocarbon sector. If so it could herald an important change in the relationship between the Ministry of Petroleum and Petromin, giving the corporation a bigger role in the marketing of crude oil as well as products. Riyadh is thought to have observed with some envy the evolution of Kuwait Petroleum Corporation as an integrated international company fulfilling many roles undertaken by the Saudi Ministry of Petroleum.

Death toll in Karachi rioting continues to rise

By Mohammad Aftab in Karachi

THE ETHNIC riots in Karachi entered their third day yesterday, taking the death toll to 146 and severely jolting the fledgling civilian Government of Prime Minister Mohammad Khan Junejo.

By last night, nearly 600 injured had been admitted to Karachi's main hospitals as parts of Pakistan's major seaport were laid waste and the combined strength of army, navy and police forces had failed to quell the riots.

Many are now openly asking whether Mr Junejo, or even the army under the ultimate control of President Zia ul-Haq, can govern the city. This places a question mark on the 21-month old civilian Government brought in as the first step towards phasing out the eight-year-old martial law regime and its leadership.

Although martial law was lifted a year ago, Gen Zia is still very visible and demands by the opposition, led by Miss Benazir Bhutto, for new and fully democratic elections continue to be resisted.

The chaos in Karachi may lead General Zia to delay the phasing out of martial law.

With its population of more than 7m, Karachi is almost ungovernable by a provincial administration that has made no progress since the British rulers left the sub-continent in 1947.

Its law enforcement is next to non-existent, as the failure to contain the first attack on Orangi suburb on Sunday showed. In spite of widespread rumours of impending trouble the administration paid no attention.

As a result, Karachi's business life has been virtually closed down. More than 50 per cent of all factories in the country are located in Karachi. The city's entire financial system has also closed, including banks, financial institutions and the stock exchange.

The vital port of Karachi and its dockyards are also closed.

A short shutdown may not hurt the economy much, but the population of Karachi yesterday was already complaining of lack of food, as no fresh supplies have arrived from the Punjab or the interior of Sind since the riots began at the weekend.

Karachi has seen a major riot or disturbance nearly every month this year. The worst before Sunday's eruption was in November, when the same two groups – the Pathans and the Mohajirs – fought it out in the open, leaving at least 50 dead.

But with three times that number of dead, the current riot may have lasting effects on the two rival communities which have conflicting business, social and political interests.

The majority Urdu-speaking Mohajirs (refugees) started migrating into Karachi and other parts of Pakistan after independence from the British in 1947. The semi-nomadic Pathans hail from Pakistan's north-west and Afghanistan.

The rioting is also a symptom of growing trouble and dissatisfaction in Karachi's slums – shared by Mohajirs and Pathans.

Karachi, and more particularly, its Pathan Sohrab Goth suburb where an army crackdown on heroin, drugs and illegal weapon dealing triggered the latest ethnic riots, has become a symbol of corruption, with seething unrest between the ethnic groups, and widening disparity between the opulent rich and impoverished proletariat.

The Sohrab Goth anti-heroin, anti-weapons military operation was blamed by the Pathans on the Mohajirs who have been agitating in the past to get the locality bulldozed.

The Mohajirs had maintained that illicit arms there were not only used in growing criminal activities and political violence in Karachi, but also supplied to armed robbers operating in large parts of southern Sind Province.

THE LEX COLUMN

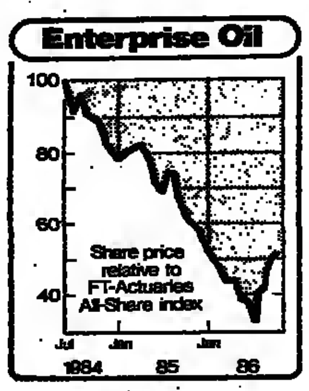
Enterprise ups the stakes

From the day it became a quoted company, Enterprise Oil has been plagued by other companies manoeuvring large chunks of its equity. It is exquisite, therefore, for Enterprise to perform its own pirouette with the shares, which will dilute those who have been playing the game up till now. Not that the deal to give ICI a 25 per cent stake in return for that company's upstream oil interests needs any such opportunist justification.

Put simply, it will double Enterprise's oil production and will also double earnings per share. This trick is made possible by the nature of the ICI portfolio, which is high on very depreciated production and low on exploration acreage and commitments. That sort of profile also makes it clear why ICI is prepared to hand over the running of its exploration and production business to a real oil company. The alternative of expansion would have involved a conflict with the current ICI culture of getting away from the raw materials business.

The joy for Enterprise is that the combination of £25m net cash and Ninian production will enable it both to fund the heavy calls for the funding of oilfield developments, and to guarantee the current dividend payment, even if oil prices do not recover. So it can be argued that even after yesterday's run-up in the shares to 175p, they are not expensive: the yield is still almost 7 per cent.

Exactly a year ago RTZ swapped its 29 per cent stake in Enterprise for a 25 per cent interest in Lasmo. According to the terms of that deal, Lasmo is from today free to sell its piece of Enterprise, provided it gives RTZ first refusal. It is quite likely that, in the wake of the oil price collapse Lasmo would rather have cash than oily paper. If Lasmo does hold on to the stake for the time being, it would find it difficult to vote against the ICI deal at the EGM, since its own major asset – Ninian – is the same as ICI's. Veritable Russian dolls, these oil companies.



Gilt-edged

Not so long ago, yesterday's tale of the vanishing PSBR would have had gilt-edged roaring ahead, even if combined with news of feverish retail sales. But after the brief sign of outside demand last week, the market appears once again to have become almost entirely composed of traders, and rather paranoid traders at that.

For a market-maker carrying a long position that is £10m larger than intended, it is probably not much consolation to see the projected net funding needs of the Government coming down; a definite relaxation in domestic interest would be more use, but does not seem to be at hand. International differentials, indeed, are at a pitch that may bring in a trickle of foreign demand but, in the week before Christmas, not much.

IC Gas

The Department of Trade and Industry perversely referred the bid by Gulf Resources for Imperial Continental Gas to the Monopolies Commission because it thought the putative new owners might abuse Calor's domination of the domestic bottled gas business. Yesterday's interim results from IC Gas suggest that the OFT would do better to deal with the actual owners, and what is happening now. Historically Calor never made first half profits, although in the 1985 interim period it managed to generate almost £900,000 pre-tax.

Now look. Calor has made first half profits of over £16m. The company talks of higher volumes, yet Calor's turnover was up by less than 3 per cent. It is a case of not passing on anything like the full benefits of raw material price cuts to the consumer. Of course shareholders should be delighted, and the share price rose 11p to 573p. But as with the very high first half downstream profits of the oil majors, there is a question mark as to the long term quality of such earnings.

Although the swing into loss of the upstream oil business is bigger even than the Calor roundabout, the effect at the net level is much more beneficial, because of the lower tax rates in Calor. Even so, the 28 per cent increase in the dividend must owe something to the company's vulnerability.

Scottish & Newcastle

It was a case of being in the wrong place at the wrong time for Scottish & Newcastle this summer. Selling beer up north was again not easy, and selling hotel nights in London was suddenly horrid.

Thistle's once enviable bias towards hotels in the capital – where getting on for half its rooms are – worked badly against it when the shortage of US tourists cut occupancy rates by around 15 percentage points. So interim profits to the end of October up from £43.1m to £44.8m pre-tax were not too surprising.

The hotel trade now seems to be back to normal, thanks to the intrepidity of businessmen. Barring a repeat of Libya and Chernobyl, the tourists should return too, somewhat shamefacedly, next summer. The difficulty on the brewing side is much more intractable.

Beer operating profits were roughly £3m ahead at the half-way stage, but a large chunk of that came from cost savings after the Holyrood brewery closure at the start of the financial year. The growth in the take-home trade is all very well but it is selling beer through pubs that makes the good money. S & N might be better off than the other brewers if the Monopolies Commission rules against the tie, but only because it is worse placed until that happy day.

That is the reasoning for S & N's acquisition of Home Brewery, and would hold good in a renewed bid for Matthew Brown. Home ought to make around £3m after financing costs in the second half and a great deal more next year.

Holding a near 30 per cent stake in Matthew Brown hurts current earnings, but the cost is not so high as to force S & N to move precipitately. Profits for the full year above £85m, compared to £75.1m, would give a multiple under 12 with the shares at 200p, down 3p yesterday. That rating is higher than the sector – but then the market, rightly or wrongly, looks at S & N as a bid target too.

US moves to curb machine tool imports

By Lionel Barber in Washington

PRESIDENT RONALD Reagan yesterday announced wide-ranging measures aimed at curbing imports of machine tools into the US.

Japan and Taiwan have agreed to voluntary export restraints for five years starting in January next year. The US has unilaterally imposed limits on exports from Switzerland and West Germany. Seven other countries, including the UK and South Korea, have been warned not to take advantage of the limits to gain market share in the US.

The curbs, covering machining centres, computer controlled lathes, punching, shearing and milling machines, are designed to help loss-making US producers who have seen their market share drastically eroded by foreign imports over the past five years.

US trade officials yesterday denied that the restraints amounted to protectionism. But European producers, notably the UK and West Germany, are furious at what they regard as blatant attempts to protect US domestic producers.

Mr Reagan announced last May that he was seeking voluntary restraint agreements on machine tool imports with Taiwan, Japan, West Germany and Switzerland. The action was justified on the grounds of national security under section 232 of the Trade Expansion Act of 1962.

In the event, West Germany and Switzerland refused to sign voluntary restraint agreements. The US has told the two countries that their exports must be limited to specified levels.

The cuts in exports for Japan apply particularly to machining centres, the multi purpose cutting machines which are computer controlled and at the forefront of machine tool technology. Taiwan has agreed to the heaviest cuts in lathes.

US trade officials said that they did not expect US producers to raise prices following the voluntary restraints.

The measures would create $800m additional revenue for US manufacturers, they said. Some 10,700 jobs which could have been lost without the restraints, have now been saved, a senior trade official said.

RepublicBank and InterFirst of Texas study merger plan

BY JAMES BUCHAN IN NEW YORK

TWO of the largest banks in Texas announced yesterday that they were examining a merger which could well accelerate the restructuring of their deeply troubled industry.

The announcements from RepublicBank and InterFirst, the two Dallas bank holding companies that are the largest and third largest lenders in the state, comes a day after Texas Commerce, which runs the biggest Texas bank network, accepted an offer of just under $1.2bn from Chemical Bank of New York.

Neither Republic nor InterFirst would comment on the mooted merger until their boards had held separate meetings.

The entire Texas banking industry has been hit by the effect of falling oil prices on the value of energy and associated real estate loans, above all in Houston.

The major banks have written off about $1bn in bad loans this year. A drawing away of wholesale funds and intense competition for deposits from the public have put pressure on balance sheets and earnings.

InterFirst, with gross assets of $18.5bn, reported a net loss of $277m in the first nine months of the year, with a sharp deterioration in the quality of its loans in the third quarter. Non-performing assets stood at 8 per cent of the total book in September, although these are primarily real estate loans which are less likely to generate the huge losses associated with energy lending. RepublicBank with total assets of $22bn, recorded net income of $45m in the first three quarters.

Two months ago, the Texas legislature in Austin helped the banks by approving a bill that permits interstate banking. This also opened the way for out-of-state banks to buy into Texas – and for Monday's announcement from Chemical and Texas Commerce.

The immediate effect of Chemical's backing will be to allow Texas Commerce to fund its loans at a cheaper rate, thus reaping a competitive advantage over other Texas banks.

However, Chemical was very careful to ensure that its shareholders are partially insulated from further losses and bad debts at Texas Commerce, and it is not clear that there will be a stampede of New York or California banks into a market that analysts say will be difficult all through next year.

Thatcher in air defence clash

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

MRS MAGARET Thatcher, the UK Prime Minister, yesterday dismissed calls for the British Government's imminent decision on a choice of airborne early warning system to be delayed to allow time for further assessment and an independent inquiry.

A formal Cabinet decision and House of Commons statement are expected tomorrow on the purchase of Awacs aircraft from Boeing of the US rather than the Nimrod system developed by General Electric Company (GEC) of Britain. An emergency House of Commons debate is likely later this week.

In a dramatic Commons confrontation Mrs Thatcher brushed aside complaints from Mr James Prior, the former Cabinet Minister, who is now chairman of GEC and still a Tory backbencher, about "damaging" leaks from the Ministry of Defence that Nimrod was unworkable and his plea for the company to be allowed to look at the Ministry of Defence's assessment to see what is wrong.

Mrs Thatcher gave the strongest official indication so far that the Awacs system is likely to be chosen. She said that the government "must be certain that the system chosen will meet the country's defence requirements fully and in an acceptable timescale."

These criteria would not be submitted to "any political expedience."

Senior ministers have received a full briefing on the decision ahead of meetings today and tomorrow and say that the evidence is clearly in favour of Awacs.

● GEC will today for the first time fly a Nimrod aircraft over France in a demonstration to the French Defence Ministry. France is reviewing the same options as Britain and is hoping for cost reasons to make the same choice.

● Lockheed-Georgia Company, part of the US Lockheed aerospace and missiles group, will have to review plans to offer worldwide the Nimrod system in its Hercules transport aircraft if the system is rejected by the UK Government.

Reagan seeks immunity for aides

Continued from Page 1

It later emerged that the aircraft had been shot down. One of the crew, Mr Eugene Hasenfus, was caught by the Nicaraguan Government and has been gaoled for 30 years for his part in the Contra supply operation.

The statement added that "on the three occasions when the Vice President met with Mr Rodriguez, discussions dealt entirely with the insurgency in El Salvador... At no point in his discussions with anyone in the Vice President's office did Mr Rodriguez mention diversion of funds to the Contra operation from Iran."

Commenting on the disclosure that in August his aides had discussed the private Contra supply network with Mr Rodriguez, Mr Bush's spokesman said that Mr Bush was "disappointed that he was not informed" of these meetings but stood by his earlier statement that his aides were not directing or co-ordinating the Contra re-supply efforts.

In another development, Mr Howard Teicher, a member of the National Security Council staff announced that he had resigned. The announcement came as he was preparing to testify in closed session before the Senate Intelligence Committee.

World Weather

		°C	°F
Ajaccio	F	16	59
Algiers	C	18	58
Amsterdam	F	5	41
Athens	R	18	64
Bahrain	S	23	73
Bangkok	R	32	90
Barcelona	F	13	55
Beirut	—	—	—
Belfast	S	3	37
Belgrade	R	3	37
Berlin	R	3	37
Biarritz	C	11	52
Bombay	R	25	77
Bordeaux	F	10	50
Brussels	S	5	41
Budapest	Fg	0	32
B. Aires	F	30	86
Cairo	F	19	66
Cape Town	R	18	64
Caracas	C	26	79
Casablanca	C	18	64
Chicago	C	8	47
Cologne	F	6	43
Copenhagen	C	5	41
Corfu	F	16	61
Dallas	—	—	—
Dublin	F	7	45

		°C	°F
Dubrovnik	—	—	—
Edinburgh	R	5	41
Faro	S	16	61
Florence	R	7	45
Frankfurt	C	5	41
Funchal	C	15	59
Geneva	F	7	45
Gibraltar	R	18	64
Glasgow	F	4	39
Guernsey	R	7	45
Helsinki	F	-8	18
H. Kong	C	19	66
Innsbruck	S	2	36
Inverness	F	3	37
Islamabad	F	15	59
Istanbul	C	14	57
Jakarta	S	28	82
Jersey	F	9	48
Jo'burg	R	27	81
Lima	C	23	73
Lisbon	F	14	57
London	S	8	46
Los Angeles	C	20	68
Luxembourg	C	1	34
Madrid	C	10	50
Majorca	F	17	63
Malaga	F	18	64

		°C	°F
Malta	C	16	61
Manchester	C	5	41
Manila	S	32	90
Melbourne	R	17	63
Mexico City	S	24	74
Miami	C	25	77
Milan	C	1	34
Montreal	C	0	32
Moscow	R	-2	28
Munich	R	6	43
Nairobi	F	22	72
Naples	F	15	59
Nassau	C	28	82
New Delhi	C	17	63
New York	C	8	46
Nice	R	15	59
Nicosia	F	18	64
Oporto	C	13	55
Oslo	Sn	0	32
Paris	F	7	45
Peking	C	0	32
Prague	F	5	41
Reykjavik	R	4	39

		°C	°F
Rhodes	F	18	64
Rio de J'o	C	37	99
Rome	C	14	57
Salzburg	F	5	41
San Francisco	F	12	53
Seoul	S	8	46
Singapore	F	30	86
Stockholm	C	-1	30
Strasbourg	R	7	45
Sydney	F	25	77
Taipei	F	22	72
Tangier	C	18	64
Tel Aviv	S	19	66
Tenerife	C	22	72
Tokyo	R	11	52
Toronto	C	3	37
Tunis	F	15	59
Valencia	R	18	64
Venice	C	4	39
Vienna	F	0	32
Warsaw	Sn	0	32
Washington	—	—	—
Zurich	F	6	43

Readings at mid-day yesterday: C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Saudis appeal to Iraq over Opec

Continued from Page 1

has a limit of 1.2m barrels a day compared with Iran's 2.3m barrels per day.

Dr Ramzi Salman, Mr Taki's deputy, has said that Iraq would cooperate in maintaining oil prices even if it is not party to a production-sharing system. Other delegates are sceptical, however, since Iraq will soon have substantial extra capacity to export oil via the pipeline to Ceyhan on Turkey's Mediterranean coast.

In a conversation with the Financial Times yesterday Mr Ghol Amroze Aghazadeh, Iran's chief delegate, indicated that there had been no change in his country's refusal to join a new pact unless Iraq also enters.

Mr Aghazadeh's response to the Iraqi minister's remark was: "I don't know what their position is. Ours is that they must be included (in a quota agreement)."

"Iraq's quota is 1.2m b/d," be said. If Iraq needed an increase other countries can give it part of their share, the Minister said.

Opec is therefore faced with the gloomy prospect that Iraq and Iran will both be excluded from any revised pact intended to reduce total output to about 15.9m b/d compared with the current 17m to 17.2m b/d depending on the capability of Iraq, which is outside the current pact.

However, Opec's calculations are based on a forecast by its experts that demand for member's crude in the first three months of next year will be 17.1m b/d after taking account of an expected drawdown of stocks amounting to about 1.5m b/d. This has led them to suggest that all members should cut output by 7.2 per cent.

The prospect is further complicated by the demand of Gabon and Ecuador, both minor producers, to be excluded.

Opec has, meanwhile, made progress towards re-establishing a fixed price system with a central reference $18 based on a basket of seven light crude oils.

Debate on the correct spread in differential prices between the lightest varieties produced by North-African members and the heaviest in the Gulf has been narrowed to $2.75 to $3 per barrel.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday December 17 1986

Fermenta to be investigated by public prosecutor

BY KEVIN DONE IN STOCKHOLM AND ALAN FRIEDMAN IN MILAN

THE STOCKHOLM public prosecutor's office is to carry out a preliminary investigation into possible criminal irregularities in business transactions made by Fermenta, the troubled Swedish biotechnology group.

It was learned yesterday that Montedison, the Italian chemicals group, which on October 21 broke off its negotiations for the takeover of Fermenta, has in recent days received a number of requests from Stockholm to reconsider buying Fermenta share stakes.

Montedison has declined to re-enter negotiations, but the Milan-based group is continuing to watch developments in Sweden and might change its mind once affairs at Fermenta become more clear.

The board of Fermenta declined yesterday to take action itself on the dramatic request made on Monday by Mr Gosta Bystedt, the former Fermenta chairman, to initiate a police investigation, on the grounds that an inquiry was already underway by the company's auditors. It promised that all available information would be given to the shareholders meeting planned for December 30.

The Swedish concern was plunged into crisis at the weekend when the board announced that irregularities in the company's accounting discovered by the external auditors could virtually wipe out the group's entire reported profit of SKr 353m ($50.8m) for the first eight months of the year.

Mr Hans Lindberg, a senior public prosecutor in Stockholm said that preliminary police inquiries would be made following statements made by the two former Fermenta board members – Mr Bystedt and Mr Pär Skaantorp – who resigned in late October.

In a joint statement on Monday they said that, following the serious criticism from Fermenta's auditors about "dubious business transactions where Refaat El-Sayed and Fermenta are involved we demand, in the capacity of former members of the Fermenta board, that these business transactions be the subject of n police investigation."

Mr Bysted claimed that the board had been misled by Mr El-Sayed and the Fermenta management and that dubious transactions had inflated Fermenta's reported profits by as much as SKr 200m this year.

The Fermenta board yesterday formally appointed 56-year-old Mr Sune Dahlberg as chief executive to replace Mr El-Sayed.

Mr Dahlberg has most recently headed Fermenta's agrochemicals operations in the US, which are under negotiation to be sold to Monsanto, the US chemicals company.

The controversial affairs of the beleaguered biotechnology group are now to be subject to n string of official investigations. Apart from the police inquiries, the National Board of Trade said yesterday that it was to investigate the role played by the company's external auditors. In addition Fermenta board members and management are facing an insider trading investigation by the banking inspectorate and the stock exchange is investigating the group's financial reporting.

Mr El-Sayed's remaining shareholding in Fermenta could soon be further reduced, as it became clear yesterday that he has also failed to meet two other major debt repayments.

The repayment of SKr 200m to Nordbanken and of Skr 117m to Electrolux fell due last Wednesday. The loans are secured against 4.2m Fermenta B shares.

Mr El-Sayed's withdrawal from Fermenta management and the board has rekindled foreign takeover interest in the group.

Laura Raun reports on proposals for tougher insider trading laws

Dutch act on markets 'abuse'

THE DUTCH Government yesterday proposed n tougher law on insider trading in the securities business, bowing to mounting criticism that a planned bill was too weak.

The Cabinet decided that the new law should carry a maximum penalty of two years imprisonment plus n Fl 100,000 ($44,000) fine for individuals and up to Fl 1m for companies. Profits could be confiscated under the proposal which replaces plans for a maximum punishment of n Fl 100,000 fine or one year in jail.

Critics ranging from members of parliament to the Amsterdam public prosecutor had attacked the original measure, jointly proposed by tha finance and justice ministries.

Whether the cabinet's latest version proves satisfactory remains to be seen. The stricter penalties still fall short of what Mr Henk Wooldrik, the Amsterdam Public Prosecutor, says would be needed to justify house searches and temporary detention.

In a recent and unusually candid interview with n Dutch newspaper Mr Wooldrik said that a serious offence carrying a minimum sentence of four years imprisonment was needed to justify raids and detention. This was indispensable to proving n subtle charge such as insider trading.

The government's proposal aims to provide legal backing for the Amsterdam Stock Exchange's new rules on insider trading which take effect on January 1. Under the code of conduct, which conforms closely to the London Stock Exchange's rules, Amsterdam will forbid the abuse of "confidential, price-sensitive" information by members, employees and listed companies to profit in securities trading.

The code will also apply to the European options exchange and prohibits corporate employees with access to market-affecting confidential information from dealing in company securities before publication of annual and quarterly reports as well as issuing prospectuses.

In general executives are obliged to report all trades in securities of their company.

Stock exchange members are required to set up "Chinese walls" between issuing, trading and credit departments to avoid conflicts of interest. Members are forbidden from trading for their own account on sensitive information not available to the public.

Similar rules will apply to bourse employees and to financial journalists.

Until recently insider trading was viewed with less than the greatest urgency in the Netherlands, much as in other countries in Continental Europe. Efforts in the late 1960s and early 1970s to impose legal sanctions faded and it was not until 1984 that the Amsterdam bourse established n "stock watch group" to monitor irregularities.

Last year the group investigated six cases where insider trading was suspected and found evidence of misuse in several instances, according to the exchange. No punishment was meted out because there were no penalties.

This year only two cases have been investigated with the most recent one – Bredero – continuing.

Mr H. Onno Ruding the Dutch Finance Minister, said last month he was "in a hurry" to enact legislation without waiting for a larger bill affecting the securities industry.

"The Netherlands can't lag behind the rest of the world in this area," he said. "Moreover, the Netherlands can participate in an international system of information-exchange in this area if abuse is made punishable."

The Dutch repeated their call for greater international co-operation last week at n London meeting of financial market regulators from 10 countries. However, the Netherlands has lagged behind major financial centres such as London and New York in protecting investors through regulations.

L. F. Rothschild investment bank chiefs resign

By James Buchan in New York

THE CHAIRMAN and vice chairman of L. F. Rothschild, Unterberg, Towbin Holdings, the New York investment bank which went public earlier this year, are to resign after disagreements over the bank's direction.

Mr Thomas Unterberg and Mr Robert Towbin, who turned the bank into the prime underwriter of technology stock offerings in the early 1980s, are to be replaced by two joint chief executives, Mr Robert Schoenthal and Mr Francois Mayer.

The market for high-tech initial public offerings has been weak since 1984,and it is understood that the new executives had pushed for greater emphasis on trading in government and mortgage-backed securities and asset management.

Thomson defence unit to raise FFr 4bn over three years

BY PAUL BETTS IN PARIS

THOMSON CSF, the main defence and professional electronics subsidiary of the nationalised French Thomson group, is raising FFr 2bn ($303m) in fresh equity capital with n further FFr 2bn to come during the next three years from the conversion of warrants.

The equity issue involves about 1m new Thomson CSF shares with a further 1m share warrants to be converted between 1987 and 1989. Mr Christian Aubin, Thomson's financial director, said yesterday that the move was aimed at reinforcing the company's balance sheet.

Mr Aubin confirmed that Thomson CSF, the main group holding company, had received FFr 680m in capital grants from its state shareholder. The government had said it would grant Thomson FFr 600m this year. It had finally advanced this sum plus an additional FFr 80m of grants deferred from Thomson's 1985 state capital allocations.

Mr Aubin said the latest grants confirmed the French Government's support for the group's ambitious semiconductor and electronics components strategy. However, Thomson is likely to seek more state aid next year to back its semiconductor activities.

Mr Aubin said that Thomson had decided to launch its new equity issue for its Thomson CSF subsidiary, which is quoted on the bourse, to take advantage of the current favourable conditions of securities markets. The operation is being led by Paribas and Banque Nationale de Paris in France and by Paribas Capital Markets and Morgan Stanley in London.

Thomson SA currently controls 56 per cent of Thomson CSF. Mr Aubin indicated yesterday that Thomson SA's stake would decline after the capital operation but that it would maintain overall control of Thomson CSF.

The main Thomson holding company is expected to subscribe to about 34 per cent of the new issue with the remaining securities being shared between the international and French market.

Mr Aubin also confirmed the group's forecast of consolidated profits of nt least FFr 2bn for Thomson CSF this year compared with earnings of FFr 960m last year.

Bank of Italy bids to defuse row over Mediobanca

BY ALAN FRIEDMAN IN MILAN

THE BANK OF ITALY is pressing for an early resolution of the bitter conflict raging over the future of Mediobanca, the powerful Milan-based merchant bank. The conflict has set a small group of private sector minority Mediobanca shareholders at odds with IRI, the state holding group which owns 56.6 per cent control of the bank.

At issue is a proposal by the private minority shareholders put forward last week by Mr Leopoldo Pirelli, chairman of the tyre company and one of the minority shareholders. They would like IRI to reduce its holding in Mediobanca below 50 per cent by selling up to 7 per cent of the bank to the private minority shareholders.

Prof Romano Prodi, chairman of IRI, last week went before parliament in Rome and rejected the Pirelli proposal, expressing his "profund perplexity" nt its appearance. Part of the IRI chief's consternation arise because the private shareholders had apparently formed the privatisation plan with executives from the three IRI-controlled state banks – Banca Commerciale Italiana, Credito Italiano and Banco di Roma – through which IRI owns its majority stake in Mediobanca.

It was learned yesterday that the private minority shareholders which include Pirelli, Lazard Freres and Berliner Handelsbank – and the state bank executives approached Mr Carlo Ciampi, Governor of the Bank of Italy, without first consulting Prof Prodi.

The central bank wants to ensure smooth functioning of the financial system, but it is not prepared to take sides in what has rapidly become n controversial political issue in Rome. Controversy has surrounded a letter sent to the central bank by Mr Francesco Cingano, joint general manager at Banca Commerciale Italiana, containing details of the privatisation plan. Prof Prodi is said to be upset that executives at banks which IRI controls have acted in a way which he regards as being behind his back.

In recent days leaders of the Republican Party have entered the fray, taking the side of the private minority shareholders. A Christian Democrat – Mr Cirino Pomicino, chairman of the budget committee of the chamber of deputies – has also criticised IRI and spoken in favour of the private shareholders. But Mr Pomicino's comments were immediately disowned by the leadership of the Christian Democrat party.

Prof Prodi is said to have the backing of the Christian Democrats and possibly even that of Mr Bettino Craxi, the Prime Minister.

Fuji profits fall 6%

BY YOKO SHIBATA IN TOKYO

FUJI PHOTO Film, Japan's top maker of photographic film, yesterday reported 6 per cent fall in consolidated net profits to Y62.18bn ($380.9m) in the year to October 20, as the yen's appreciation outweighed the positive effect from expanded volume sales of colour paper and magnetic tapes.

Sales were Y756.83bn, up 1.4 per cent.

The consolidated results included the parent company's pre-tax profits of Y113.9bn, down 7.1 per cent and net profits of Y54.84bn, up 0.3 per cent, on turnover of Y644.9bn, down 0.8 per cent from the previous year.

INTL. COMPANIES and FINANCE

India speeds up investment reforms

BY JOHN ELLIOTT IN NEW DELHI

INDIA'S STOCK markets are this week emerging from a fortnight's crisis of apparent contradictions when exchanges closed because of a crash in share prices at the same time as the country's largest debenture issue, for Reliance Industries, was six or seven times oversubscribed.

The crisis had no general economic significance or impact. It did however dramatically underline the weaknesses of the country's stock market system which has developed neither sufficient financial and organisational depth, nor methods of regulation, to cope with the massive expansion of share activity in the past couple of years.

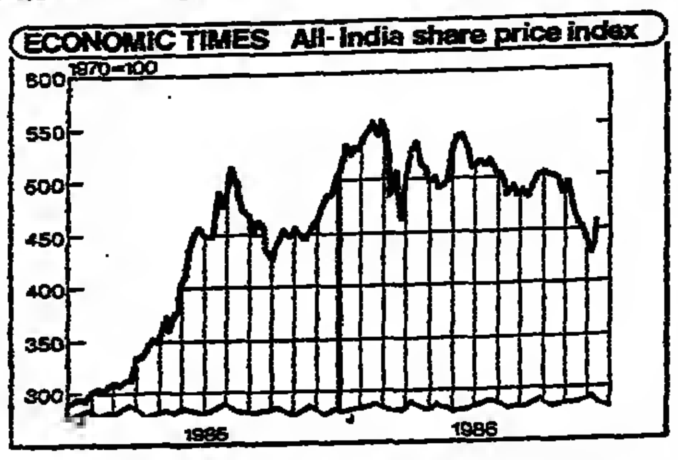
Share prices almost doubled in the 12 months to the beginning of this year and the amount of trading has increased rapidly as prices have fallen back to what is generally regarded as more realistic levels in recent months.

The value of new capital issues approved by the Ministry of Finance in the first eight months of the current financial year totalled Rs41.25bn ($3.17bn), compared with Rs36.95bn in the whole of 1985-1986 and Rs20bn in 1984-85.

Thousands of new small investors have entered the market for the first time although a lack of reliable statistics, and the existence of a widespread black market in share dealings, means that estimates of the total number of investors in the market varies from 2m to 12m.

So the Government was concerned by the problems of the past fortnight which were caused by a series of political and economic factors. Hindu-Sikh killings in New Delhi, plus some poor corporate results, had an undue influence on a market already hit by tax enforcement raids on stockbrokers and by speculators switching out of established shares into new issues, especially the potentially lucrative Rs1.30bn of Reliance debentures.

The Government does not want its hopes for substantial capital generation on the markets during the country's current five-year plan to be upset by a collapse of investor confidence. Plans for legislative and other reforms are therefore to be speeded up.



For years the country's 14 stock exchanges have been low on India's list of development priorities, so they have poor financial and communications facilities.

Bank loans go to higher priority borrowers so there is a shortage of liquidity among stockbrokers. Telephone and telex links are allocated to more influential groups, so brokers thrive on rumours. Postal services are universally bad so the processing of new issues and other dealings usually takes weeks, tying up millions of rupees of capital.

Spokesmen from small city stock exchanges such as Gauhati in Assam and Ludhiana in Punjab horrified Mr Vishwanath Pratap Singh, the Finance Minister, at a meeting in New Delhi on *Monday* by explaining how they do not have any effective telephone and telex links.

In the historic Rajasthan city of Jaipur, he heard about 400 unofficial stockbrokers filling a vaccuum while two local power groups lobby for the right to set up an exchange.

In Bombay, which accounts for 70 per cent of the country's share deals, organisational and financial weaknesses mean that trading is limited to two hours a day, nine days in every fortnight.

Computerisation is now being introduced. Electronic price displays are to be introduced early next year linking the six major stock exchanges of Bombay, Delhi, Calcutta, Madras, Kanpur and Ahmadabad.

Mr Singh wants regulatory and other reforms to be introduced voluntarily by the stock exchanges, as well as through legislation. But he said on Monday he recognises there will be considerable resistance from vested interests.

The Bombay exchange, controlled by a council of stockbrokers, is resisting increasing its active list of 395 brokers by more than 35, despite the mushrooming of business to over Rs 15bn a year. The Delhi exchange is doubling its total of 125 brokers. The exchanges are also resisting proposals for broadening the membership of their governing councils.

A report prepared for the government by a body called the Paten Committee has made a series of recommendations.

One major expected reform is the banning of insider trading which at present is not controlled and is blamed for a lot of the sharp falls in shares recently.

The Government is also considering expanding and strengthening the stockbroking profession by allowing joint stock companies to be admitted.

An attack on the black market in shares has already been launched with raids on 22 Bombay stockbrokers last month which has yielded undisclosed share certificates and other assets worth Rs 80m including Rs 40m in gold.

The operation of the stock markets also suffers, compared with Western countries, from a total lack of private sector financial institutions whose trading can help offset brokers' speculative trends. The Government has told six public sector institutions, led by the Unit Trust of India, that they should decide collectively how and when to "step into the market with a view to stabilising it."

The Government-owned Industrial Credit and Investment Corporation of India is setting up a credit rating agency, and the Industrial Development Bank of India is forming a stockholding corporation to handle financial institutions' share transfers.

It is hoped that these and other changes will help the markets cope with expanding secondary dealings as well as a series of major new private and public sector issues in the coming months.

This announcement appears as a matter of record only.

New Issue

BOMBARDIER INC.

International Issue of 1,600,000 Class B Subordinate Voting Shares

Issue Price Canadian $13.75 per Share

Wood Gundy Inc. | McLeod Young Weir International Limited

Banque Paribas Capital Markets Limited | Creditanstalt-Bankverein

Deutsche Bank Capital Markets Limited | Generale Bank

Handelsbank N.W. | Lévesque, Beaubien Inc.

Nesbitt, Thomson Limited

November 1986

This announcement appears as a matter of record only.

New Issue

HONDA

Canadian $70,000,000

Honda International Finance B.V.

9¾% Notes due 1991

Issue Price 101½%

Wood Gundy Inc.

Nomura International Limited | Morgan Guaranty Ltd

Morgan Stanley International | The Nikko Securities Co., (Europe) Ltd.

Daiwa Europe Limited | Smith Barney, Harris Upham & Co. Incorporated

Banque Paribas Capital Markets Limited | CIBC Limited

Deutsche Bank Capital Markets Limited | EBC Amro Bank Limited

Genossenschaftliche Zentralbank AG Vienna | IBJ International Limited

Mitsubishi Finance International Limited | Tokai International Limited

Union Bank of Switzerland (Securities) Limited

November 1986

This announcement appears as a matter of record only.

New Issue

Canadian $100,000,000

General Motors Acceptance Corporation of Canada, Limited

(Incorporated under the laws of Canada)

Unconditionally guaranteed as to payment of principal and interest by

General Motors Acceptance Corporation

(Incorporated in the State of New York, United States of America)

9½% Notes due December 18, 1993

Issue Price 100⅞%

Wood Gundy Inc. | McLeod Young Weir International Limited

Bank of Montreal Capital Markets Limited | The Bank of Nova Scotia Group

Banque Bruxelles Lambert S.A. | Banque Générale du Luxembourg S.A.

Commerzbank Aktiengesellschaft | Credit Suisse First Boston Limited

Deutsche Bank Capital Markets Limited | Dominion Securities Inc.

Genossenschaftliche Zentralbank AG Vienna | Hambros Bank Limited

Morgan Stanley International | Nomura International Limited

Norddeutsche Landesbank Girozentrale | Pemberton Houston Willoughby Incorporated

Société Générale | Swiss Bank Corporation International Limited

Toronto Dominion International Limited

Bank Gutzwiller, Kurz, Bungener (Overseas) Limited | Bankhaus Hermann Lampe Kommanditgesellschaft

Hessische Landesbank Girozentrale | Hill Samuel & Co. Limited | Sal. Oppenheim jr. & Cie. | Rea Brothers Plc

Vereins- und Westbank Aktiengesellschaft | Westdeutsche Genossenschafts-Zentralbank e.G. | Yasuda Trust Europe Limited

December 1986

This announcement appears as a matter of record only.

New Issue

Canadian $50,000,000

Université du Québec

10% Debentures due December 16, 1993

the payment of the principal and interest whereof will be secured by the cession and the transfer of a subsidy by the

Gouvernement du Québec

payable out of the moneys to be voted annually by the Législature.

Issue Price 100%

Wood Gundy Inc.

Banque Internationale à Luxembourg S.A. | Société Générale

Banque Bruxelles Lambert S.A. | Banque Générale du Luxembourg S.A.

Banque de Luxembourg S.A. | County NatWest Capital Markets Limited

Kredietbank International Group | McLeod Young Weir International Limited

Merrill Lynch Capital Markets | Orion Royal Bank Limited

Union Bank of Switzerland (Securities) Limited | Yamaichi International (Europe) Limited

Banca Commerciale Italiana | Bank Gutzwiller, Kurz, Bungener (Overseas) Limited | Bankhaus Hermann Lampe Kommanditgesellschaft

Banque Paribas Belgique S.A. | Bayerische Landesbank Girozentrale | Chemical Bank International Group

Gefina International Limited | Kansallis Banking Group | Nederlandsche Middenstandsbank N.V.

Norddeutsche Landesbank Girozentrale | Pierson, Heldring & Pierson N.V. | Prudential-Bache Securities International

Rabobank Nederland | Richardson Greenshields of Canada (U.K.) Limited

Verband Schweizerischer Kantonalbanken | Vereins- und Westbank Aktiengesellschaft

December 1986

Alexander Nicoll on overseas reaction to last week's flotation

Little flowback at British Gas

THE KEY QUESTION for the international markets following last week's flotation of British Gas was whether the shares distributed abroad would remain there. Would an embarrassing "flowback" of shares be avoided?

This was particularly pertinent given that shares sold in the US in the privatisation of British Telecom flowed back into the UK domestic market almost immediately, failing to achieve firm placement in the US and thus simply providing a quick turn for those that had bought them.

It was made even more pertinent by the controversy which surrounded the $2bn placement of Fiat shares in the autumn. This, the largest international equity offering yet seen, caused massive indigestion and flowback in its early days.

So far, however the indications are that British Gas has avoided substantial flowback.

Some demand was created instantly by the "clawback" which took place in the allotment process. Foreign allotments were reduced from an initially targeted 795m shares to 472m because of oversubscription in Britain. The amount actually issued abroad thus represented 11.7 per cent of the total offering of 4.02bn shares.

"We have seen good foreign demand, and no sign of sizeable flowback," says Mr Charles Hue Williams, director in charge of market making for Kleinwort Grieveson.

The delivery of letters of allotment to British Gas shareholders yesterday failed to bring the downward pressure on price which some had predicted.

Volume in the London market was sharply up at 297m shares compared with Monday's 164m, but Japanese buyers eagerly mopped up shares being sold by small investors, and the price closed only ½p down at 64p.

The foreign offering was divided into four sections: 166.7m sold in the US in the form of American Depositary Shares, worth 10 shares each, led by Goldman Sachs; 102m in Canada led by Wood Gundy; 102m in Japan led by Nomura Securities; and 102m in Europe led by Swiss Bank Corporation International.

Suspicions about flowback and firm placement in the US were raised by the high turnover in New York in the early days of last week. Total turnover in New York already exceeds the amount of stock placed in the US, casting doubts on the willingness of investors to hold them.

But Goldman Sachs says that it has been a buyer of British Gas shares in London on every trading day so far, in order to satisfy demand from the US.

On the first day, December 8, it bought between 35m and 40m shares in London, which it says represents a hefty chunk of the 83m shares traded in New York that day. Next day it bought 15m to 20m, and New York volume was 43m. On Wednesday, the figures were a quieter 1m and 7m. On Thursday, it bought 5m and New York traded 14m, and on Friday, the figures dropped to 1m and 9m.

Goldman says that if the amounts introduced each day from London are excluded from the New York totals, the New York volume is average for an initial public offering (which would not normally have a pool of shares outside the country upon which the New York market could draw).

Some brokers, however, are unconvinced, arguing that shares bought in London need not be converted into ADS and thus should not necessarily be deducted from the US turnover.

Goldman attributes the US demand to several factors: a technique of "starving" US investors just enough so that they want to increase their holdings above their allotments, but not so much that investors decide not to get involved in the shares at all; to careful preparation with "roadshows" in the US ahead of the offering; and to the attractive yield and price earnings ratio at the 60p part-paid offering price compared with US gas utility companies, which operate in a more competitive and tougher regulatory environment.

Heavy demand has been seen from Japan, particularly this week. In Europe and Canada, shares sold by investors have represented fairly small proportions, and have been recycled within those countries by the lead managers without flowing back to the UK.

Olivetti to buy stake in Pelikan

By Alan Friedman in Milan

OLIVETTI, Italy's office automation group, said yesterday it had agreed to acquire 22.5 per cent of Pelikan Holding of Zug, a Swiss office products concern.

The Italian company did not disclose how much it was paying for the share stake in Pelikan, which is active in the field of technical products such as typewriter and printer accessories.

Pelikan, which this year is expected to achieve consolidated turnover of more than SFr 900m ($532m), controls 28 companies operating in 25 countries. The Swiss holding group has 24 manufacturing plants and employs a total of 8,000 people.

Olivetti is buying the 22.5 per cent share stake from Overpart, a Swiss financial company.

Pelikan is quoted on the Frankfurt stock exchange and next week it will also be listed in Zurich as well.

Second group plans $300m rescue for Western Union

BY JAMES BUCHAN IN NEW YORK

A GROUP of wealthy investors, including the former ITT chairman, Mr Harold Geneen, have proposed sinking $300m into Western Union in an attempt to recapitalise the tottering telecommunications company.

Under the proposal being presented by Resource Holdings, the group would take a 33 per cent stake in Western Union, rework its complex capital structure and dispose of its telecommunications assets which have lost money since 1984.

But the offer is contingent on the failure of an all but identical offer – which the company has accepted – from another investment group, Pacific Asset Holdings. It has offered to invest $250m. Both groups intend to use Western Union for acquisitions in financial services.

The 135-year-old company has been on the verge of the bankruptcy court for 18 months. Its traditional telex market is under pressure, while its attempt to develop electronic mail has merely generated big losses. In the first nine months of the year, Western Union lost $71.3m.

However, a plan drawn up by Drexel Burnham Lambert to recapitalise the company, which would have cut debt service and raised about $300m in high-yielding bonds, was voted down in September by the holders of a wide range of preferred stock and bonds.

Under the plan, Western Union would have merged with its operating unit, thus giving bank lenders to the holding company priority access to assets in a liquidation. But bondholders of the operating company complained that the banks, owed more than $300m, were being favoured and have sat tight, confident that the banks would not precipitate a bankruptcy filing without asset cover.

Mr Richard Bartlett, senior vice president of Resource Holdings, said that his plan offered a better deal to all groups holding Western Union liabilities. The investors are offering to put in $300m, as opposed to $250m from Pacific Asset, and are taking a smaller stake in the company, he said.

The group would include as limited partners members of the Pritzker family of Chicago, owners of the Hyatt Hotel group, Mr Philip Anschutz, the Denver oilman and Mr Geneen, the 76-year-old who built up ITT by a series of acquisitions in the 1960s. "He's going to help us figure out what to do with the telecommunications assets. He may be retired but he still works unbelievably hard," Mr Bartlett said.

General Mills advances by 33%

By Roderick Oram in New York

GENERAL MILLS, a leading US packaged foods group, has reported a 33 per cent increase in net profits for the second quarter and expects the upturn to continue through the rest of its financial year.

Net profits from continuing operations for the 13 weeks ended November 23 were $60.2m, or 68 cents a share, against $45.3m, or 51 cents, a year earlier.

This brought first half earnings to $126.5m, or $1.35, against $93.4m, or $1.05.

Sales rose 12 per cent to $1.33bn from $1.18bn in the quarter and at a similar rate in the first half to $2.53bn from $2.22bn.

A number of non-operating factors boosted net profits in the latest quarter by 8 cents a share but these are not expected to have any impact on full-year earnings.

Profits from discontinued operations made the final net $69.9m, or 79 cents, in the latest period against $46m, or 52 cents, a year earlier, and in the first half $129m, or $1.45, against $94.9m, or $1.07.

The group, which has found favour with analysts for shedding many of its peripheral businesses, said that strong profit performances were turned in by consumer foods and specialty retailing.

Crediop may buy key stake in Ambrosiano

By Alan Friedman in Milan

CREDIOP, the Rome-based medium-term credit institute, is understood to be negotiating to acquire a key equity holding in Nuovo Banco Ambrosiano, the successor to the late Mr Roberto Calvi's Ambrosiano group.

It is expected that the Turin-based Istituto San Paolo di Torino, one of the original seven state and private banks which took control of Ambrosiano in 1982, will soon conclude a deal to sell its 8.92 per cent shareholding in Nuovo Ambrosiano to Crediop.

The state-owned Crediop is likely to pay around L150bn ($107m) to L160bn ($114m) for San Paolo's stake in Nuovo Ambrosiano.

The only other remaining state shareholder in Nuovo Ambrosiano – the Banca Nazionale del Lavoro (BNL) – is also considering the sale of its stake.

It is thought possible that Crediop could acquire at least a part of BNL's 9 per cent stake in Nuovo as well. Another bank would then acquire the remaining BNL shares in Nuovo.

Both San Paolo and BNL no longer view their holdings in Nuovo Ambrosiano as strategic and would prefer to realise the value of their stakes (which total 18 per cent) in order to invest elsewhere.

Nuovo Ambrosiano has undergone a successful restructuring since 1982 and is this year expected to produce a group consolidated net profit of about L100bn.

Half of the group profit will come from Nuovo's Banca Cattolica del Veneto subsidiary, a wealthy bank in the Veneto region of north eastern Italy.

Anglo American in Australian move

By Our Financial Staff

ANGLO AMERICAN, South Africa's largest mining house, is to gain a listing for its Australian operations by injecting them into Boustead Promet Australia, a formerly Singapore-owned company in which it will hold 49 per cent.

Queensland gold interests will form the bulk of assets totalling more than A$100m (US$66.2m).

Mining industry analysts in London said that Anglo American could be preparing to step up its activities in Australia, using the stock market listing to raise funds for gold mine development and possibly for acquisitions.

Republic National Bank issues perpetual FRN

BY CLARE PEARSON

IN A generally quiet Eurobond market Merrill Lynch Capital Markets caused a stir yesterday when it launched the first perpetual floating-rate note (FRN) issue since the temporary suspension of trading of perpetuals two weeks ago. Merrill's deal was for Republic New York Corporation, the holding company of Republic National Bank of New York.

Merill Lynch stressed that the issue was distinct from the bulk of perpetual issues since it incorporated an investor's put option after 25 years, so that it could be viewed by the investor as a dated instrument. In structure, the issue followed the example of a deal launched in November for Citicorp by Goldman Sachs, the first primary capital perpetual for a US bank.

The put option enables the issue to meet the Internal Revenue Services' debt criteria, Merill said. This is important because it enables interest payments to be tax deductible. As the same time rules of the US Federal Reserve Board permit the borrowing to be treated as primary capital since the put option would be exercised against issues of shares rather than against cash.

Dealers saw the issue as a "brave mood" given the recent fall-out in the perpetual market. Confidence has not been fully restored even though prices of issues for the best-known names have now stabilised. Investor interest remains thin.

In a more confident market, dealers said the terms of Republic National Bank's issue would have looked attractive. The $150m issue, priced at par, pays interest at ¼ percentage point over six-month London interbank offered rate. Fees total 100 basis points. It is callable after five years.

INTERNATIONAL BONDS

The issue was launched too late in the day to see much trading, but Merrill quoted a bid price of 99.25.

Elsewhere, turnover in the fixed-rate market was very low, with the main action arising from switching between bonds by investors wishing to realise taxable profits before the year-end.

In Swiss Francs, Vorarlberger Kraftwerke, the Austrian hydro-electric power concern, issued a SFr 100m 1997 bond, guaranteed by the Austrian state of Vorarlberg. Led by Credit Suisse, the issue has an indicated yield of 4¾. The new issue will replace an earlier SFr 50m 6½ per cent deal which is to be prepaid next February.

Wirtschafts-und Privatbank led a SFr 25m 1991 private placement for Okabe, a Japanese construction and engineering group. Guaranteed by Dai-Ichi Kangyo Bank, the par priced issue has a 4⅝ per cent coupon.

The coupon for the SFr 150m equity warrant issue for Keio Teito Electric Railway was set at 2⅛ per cent. The exercise price is Y726, against a closing price for the company's shares of Y708. The foreign exchange rate was set at Y97.62.

The SFr 178m new issue for Aluminium Company of Canada closed its first day's trading at 95¾ against a par issue price. Landesbank Stuttgart's SFr 100m issue ended its first day down 1⅛ from its par issue price. Secondary market prices were little changed in medium volume.

Prices in the West German secondary market were a tick easier in very thin volume.

The Swiss Bankers' Association has abolished the practice of limiting to the level of re-allowance fees the discounts on new foreign bonds that may be offered to intermediaries before the bonds are listed on the Swiss stock exchanges.

The practice, known as Convention 8, will be abolished from January 1. Convention 8 has been in force since the early 1920s.

The major Swiss banks said yesterday that discussions were continuing about alterations to syndicate rules that would have to be made in response to the abolition.

Japan to ease banking curbs

BY IAN RODGER AND YOKO SHIBATA IN TOKYO

JAPAN'S Ministry of Finance has signalled its willingness to allow more US banks to set up securities affiliates in Japan. This appears to be an early response to the granting last Friday by the US Federal Reserve Bank of New York of primary dealerships to Nomura and Daiwa.

The MoF also indicated yesterday that it would allow foreign financial institutions greater access to auctions on medium term government bonds and to the underwriting syndicates for long term bonds.

However, the initial reaction among foreign financial institutions in Tokyo was that these moves were both expected and insufficient. When the Fed announced its decision to make Nomura and Daiwa primary dealers, it said that it expected the Japanese authorities to move quickly to open up its markets to foreign financial institutions.

The main irritant for the US has been the refusal of the Japanese authorities to allow more US banks to set up securities affiliates. Japan, like the US, prohibits companies from participating in both the banking and securities industries. Since last year, the MoF has granted securities licences to firms affiliated with foreign banks, provided that the bank owns directly no more than 50 per cent of the capital.

It has refused to grant licenses to 50 per cent affiliates of US banks on the grounds that the US banks would not be allowed to do this at home.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 16

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅞ 93	100	†97½	98	0	−0¼	8.06
Australia Com. 11 95	200	†115⅛	115⅝	0	−0⅜	8.37
Australia Com. 11¼ 00	100	†114⅝	115⅛	0	−0⅞	9.25
BP Capital 9⅞ 94	100	105⅞	106⅛	0	0	7.97
British Telecom 7⅞ 96	250	98⅛	98⅝	0	+0½	7.96
Campbell Soup 10⅞ 95	200	112⅝	113⅛	0	−0⅛	8.35
Canada 9 96	1000	107¼	107⅝	+0⅛	−0⅛	7.80
Canadian Pac. 10¼ 93	100	109⅛	109⅝	e	−0⅛	8.77
CCCE 7¼ 91	113	99¼	99¾	+0⅛	−0⅛	7.24
Citicorp 8⅛ 93	200	98⅛	98⅞	+0⅛	+0⅛	8.51
Credit Lyonnais 9 91	200	105⅞	105¼	+0⅛	−0⅛	7.41
Credit National 9⅞ 93	150	106¼	106¾	0	0	7.75
Credit National 7¼ 91	150	99⅛	99⅝	e	−0⅛	7.34
Denmark Kingdom 7⅝ 95	250	99⅝	100⅛	e	−0⅛	7.76
Denmark Kingdom 8⅝ 91	300	102⅝	103⅛	+0⅛	−0⅜	7.46
Denmark Kingdom 7 88	1000	100⅜	100⅞	+0⅛	+0⅛	6.65
EEC 7 91	100	99⅛	99⅝	0	−0⅛	7.15
EEC 8¼ 96	100	103⅜	103⅝	e	−0⅛	7.72
EEC 8⅝ 91	150	105⅝	106⅛	+0⅛	−0⅛	6.95
EEC 9⅝ 90	150	106	106½	e	−0⅛	7.56
EIB 10¼ 94	200	111⅞	112⅜	0	−0⅛	8.11
EIB 12 95	200	124⅛	124⅝	+0⅛	−0⅜	7.87
Eurofima 7⅞ 91	100	101⅞	101⅞	0	−0⅛	7.31
Export Dev. Cpn. 10 90	100	109⅛	109½	−0⅛	−0⅜	6.88
Finland 7½ 93	200	99	99½	0	−0⅛	7.66
Ford Motor Cred. 10½ 91	150	110⅛	110⅞	e	−0⅛	7.80
Ford Motor Cred. 11⅛ 90	100	110⅛	110⅝	0	−0⅛	7.55
Gen. Elec. Cred. 10¼ 00	200	106⅛	107⅛	−0⅛	−0⅛	9.30
GMAC 10¼ 89	200	107¼	107¾	+0⅛	−0⅛	6.81
GMAC 8½ 93	200	102⅞	103⅜	+0⅛	0	7.85
IADB 9⅞ 95	200	111⅞	112⅛	+0⅛	+0⅛	7.96
Liberty Mutual 8½ 96	150	101½	102⅛	+0⅛	0	8.22
LTCB of Japan 8 91	100	102	102½	0	−0⅛	7.39
Merrill Lynch 8⅛ 91	200	103	103½	+0⅛	0	7.95
Mercedes-Benz Cred. 7½ 93	100	100½	101	+0⅛	−0⅛	7.34
Mitsubishi Fin. 7⅞ 93	100	100½	101⅛	+0⅛	−1	7.73
Norway Kingdom 7¼ 91	500	100⅛	100⅝	+0⅛	−0⅛	7.34
Pepsico Inc. 7⅞ 93	200	97¼	98⅛	+0⅛	0	7.77
Philip Morris 7½ 91	100	99⅛	99⅝	+0⅛	e	7.65
Qantas Airways 10⅞ 95	100	112	112½	0	−0⅛	8.30
Queensland Govt. 10¼ 95	100	110⅛	110½	0	−0⅛	9.45
Ralston Purina 11⅞ 95	150	†114⅝	115⅛	−0⅛	+0½	9.11
Saab Scania 9½ 91	125	105⅝	106⅛	e	−0⅛	7.78
Saskatchewan 10⅞ 92	100	112⅝	113⅛	−0⅛	−0⅛	7.65
State Bk. S. Aust. 9¼ 93	100	105½	106⅛	−0⅛	−0⅛	8.02
Statoil 10 90	170	108⅛	108⅝	+0⅛	−0⅛	7.25
S. Wales Trsy. 11⅜ 90	150	112⅛	112⅝	0	−0⅛	7.44
Swed. Exp. Cred. 10 92	100	110⅝	111⅛	e	−0½	7.48
Sweden 8¼ 96	200	105⅛	105⅞	0	−0⅛	7.86
Sweden 10¼ 92	250	112½	113	+0⅛	−0⅛	7.50
Sweden Kingdom 10⅞ 90	200	111⅛	111⅝	0	−0⅛	6.96
Sweden Kingdom 7 91	250	99	99½	0	−0⅛	7.38
Toyota Motor Cred. 8 89	100	103⅛	103⅝	+0⅛	+0⅛	6.48
Victorian Rep. 11⅞ 92	150	115⅛	115⅝	e	−0⅛	7.97
World Bank 8½ 16	150	†98¼	99⅛	+0⅛	e	8.59
World Bank 9¼ 16	300	†102⅝	102⅞	0	−0⅛	8.99
Xerox Credit Corpn. 7 91	100	99⅛	99⅝	+0⅛	−0⅛	7.24
Yasuda Trust Fin. 8½ 93	100	102⅛	103	0	−0⅜	7.95

Average price changes on day +0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	108⅝	109⅛	+0⅛	+0⅛	6.42
Austrian Elec. Co. 6½ 95	150	100⅛	101⅛	−0⅛	−0⅛	6.40
BMW 5¾ 96	200	92½	93½	−0⅛	0	6.25
Daimler Benz Int. 5¾ 01	500	93½	94⅛	−0⅛	−0⅛	6.44
Dow Chemical 5⅝ 96	300	93⅛	95⅛	−0⅛	−0⅛	6.36
Dow Chemical 6¾ 95	300	101⅞	102⅞	−0⅛	−0⅛	6.39
EIB 5½ 98	150	92⅝	93⅝	−0⅛	−0⅛	6.36
EIB 6⅞ 95	300	103⅛	104⅛	−0⅛	−0½	6.29
EIB 7¼ 94	300	105⅛	106⅛	−0⅛	−0⅛	6.33
Emhart Corpn. 6¾ 95	175	101⅞	102⅞	−0⅛	+0⅛	6.39
Eurofima 6¼ 96	100	100⅝	101⅝	0	−0⅛	6.12
Ex.-Im. Bk. Korea 7⅝ 90	100	103⅞	104⅞	−0⅛	0	6.29
Finland Republic 7 92	200	103⅞	104⅞	−0⅛	0	5.97
Hoesch Intl. Fin. 7 95	100	101⅞	102⅞	+0⅛	+0½	6.64
Hydro Quebec 5½ 96	125	94⅝	95⅝	−0⅛	−0⅛	6.19
Hydro Quebec 6 16	150	86⅛	87⅛	−0⅛	−0½	7.04
IBJ 5⅝ 96	200	95⅛	96⅛	−0⅛	−0⅛	6.25
Ireland 8⅛ 92	150	106⅞	107⅞	0	−0⅛	6.45
I/S Elsam 6¼ 95	125	†100⅞	101⅞	0	+0½	6.49
Korea Dev. Bank 6⅝ 93	100	98½	99½	0	0	6.81
Mitsubishi M. 3⅛ 89 WW	100	105½	106½	0	0	1.09
Mitsubishi M. 3⅛ 89 XW	100	95⅛	96⅛	−0⅛	+0⅛	4.71
Renfe 7¼ 95	100	†105⅛	106⅛	−0⅛	+0⅛	6.82
Soc. Cent. Nuclear 7¼ 95	150	100⅛	101⅛	0	+0½	7.04
Soc. Cent. Nuclear 8 91	100	104⅝	105⅝	−0⅛	−0⅛	6.64
Steweag 5½ 96	100	93	94	0	0	6.44
World Bank 7 95	400	104⅛	105⅛	−0⅛	−0⅛	6.26
Yorkshire Intl. 6¼ 01	200	†90⅝	91⅝	−0⅛	+0½	7.25

Average price changes on day −0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅝ 96	100	†101	101⅛	+0½	0	5.47
Amer. Corp. 5¾ 01	200	†92	92⅛	−0⅛	0	6.20
Baker Int. 4⅛ 96	200	†86	88⅛	−1	+0⅛	5.78
Carlsberg 5 96	80	†101⅛	102	+0⅛	−0⅛	4.75
Chujitsuya 5¼ 94	50	†102½	103⅛	0	0	4.95
Deutsche Bk. Fin. 5⅛ 95	100	†106	106⅛	0	+0½	4.45
Gen. Occidentale 4½ 94	80	†137	137⅛	+2	+3	−0.12
Glendale F. S. & L. 5½ 95	100	100⅛	100½	0	−0⅛	5.44
Humana 5⅛ 98	120	†97	97⅛	0	0	5.47
Industrial Credit 5⅞ 96	75	†98⅛	99	—	—	5.90
Japan Dev. Bk. 5⅛ 97	100	†101½	101⅛	0	−1	4.92
Oberos. Kftwk. 5⅛ 95	100	†101⅛	102	0	−0⅛	5.09
Olivetti Intl. 5½ 95	100	†103	103⅛	e	−0½	5.04
[illegible]						

Average price changes on day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price changes on day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
AB Electrolux 14½ 90 A$	50	100	101	0	−0½	13.97
Amatil Fin. 14¼ 90 A$	40	98½	99½	+0⅛	−1⅛	15.13
Bremer Lndbk. 12¼ 91 A$	30	98⅛	99⅛	0	−0⅛	13.04
Fiat Finance 14½ 89 A$	30	100⅞	101⅛	0	−0⅛	13.46
GMAC 12⅞ 89 A$	40	97⅞	98⅛	0	−0⅛	13.86
Landsbk. Rhein. 13 89 A$	30	96⅛	97⅛	0	−0⅛	14.68
Canadian Pac. 10⅛ 90 C$	75	†106⅛	107⅛	+0⅛	0	8.24
Chrysler Corpn. 10 91 C$	75	†102⅛	102⅞	+0⅛	0	9.40
Gerstar Fin. 11⅛ 95 C$	75	*†104⅝	105⅛	0	+0⅛	10.12
GMAC 9¼ 92 C$	75	†104½	105	+0⅛	e	8.12
Royal Trustco 10⅛ 90 C$	75	†105⅛	105⅝	+0⅛	e	8.71
Sears Acc. 10⅝ 92 C$	75	*†106⅝	107⅛	e	+0⅛	9.03
Coca-Cola F. C. 17 90 NS	75	104⅞	105⅝	+0⅛	+0⅛	14.96
Denmark 17½ 89 NS	50	†104	104½	0	−0½	14.97
Unilever Cap. 17½ 89 NS	50	104½	105⅛	−0⅛	+0⅛	15.11
Copenhagen City 9 95 Ecu	40	101⅛	102⅛	0	−0⅛	8.73
EIB 8⅝ 93 Ecu	100	105⅛	105⅝	+0⅛	+0⅛	7.50
Walt Disney 8¾ 94 Ecu	62	103⅞	104⅛	+0⅛	−0⅛	7.96
Honda Mtr WW 3⅞ 90 Fl	100	106⅛	107½	0	−0⅛	1.62
Honda Mtr. XW 3⅞ 90 Fl	100	93⅛	93⅝	e	−0⅛	6.17
Thyssen 7¼ 90 Fl	50	103⅝	103⅝	0	−0⅛	6.19
Wereldhave 7½ 90 Fl	75	104⅛	104⅝	0	−0⅛	6.20
Wessanen 6¾ 90 Fl	50	101⅛	102⅛	0	−0½	6.13
Australia Com. 11 92 £	40	†97⅞	97⅞	+0⅛	+1⅛	11.66
GMAC UK Fin. 10½ 90 £	30	†99⅛	99⅞	+0½	+0⅛	10.63
Imp. Chem. Inds. 10 03 £	100	93⅛	93½	+0⅛	+1⅛	10.89
Imp. Chm. Inds. 10¾ 92 £	75	†97⅛	97⅝	+0⅛	+1⅛	11.37
Invst. in Inds. Int. 10 93 £	60	†94	94½	0	+0⅛	11.29
Leeds Bldg. Soc. 10½ 91 £	50	95½	96⅛	0	+0⅛	11.70
McDonalds 10⅞ 90 £	40	†98⅝	99⅛	+0⅛	+1⅛	11.25
Nationwide BS 10⅛ 95 £	75	92⅞	93⅛	+0⅛	+0⅛	11.76
NSW Treasury 10⅝ 92 £	50	†94⅛	94⅞	+0⅛	+1	11.93
Royal Insce. 10¾ 92 £	40	98⅛	99	0	+1	11.06
J. Sainsbury 10⅞ 95 £	60	97⅛	97⅝	0	+0⅞	11.29
Trusthouse Forte 11⅛ 90 £	50	†98⅛	98⅞	+0⅛	+1⅛	11.60
World Bank 11¾ 95 £	100	103½	104⅛	+1	+1	10.53
CoE 8⅞ 95 LFr	600	†105	106	0	0	7.98
EIB 8⅝ 93 LFr	1000	†104⅝	105⅝	0	+0⅛	7.54

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bldg. 94 £	0.08	99.29	99.34	20/02	[illegible]
[illegible]					

Average price changes on day [illegible] on week [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES and FINANCE

Pao to rationalise Wharf Holdings

BY DAVID DODWELL IN HONG KONG

SIR YUE-KONG PAO, the Hong Kong-based property and ship-owner, yesterday unveiled plans to complete the rationalisation of Wharf Holdings, his main property group, following its purchase last year of Wheelock Marden, the ailing trading group.

World International (Holdings), the investment holding group in which Sir Y-K holds an estimated 70 per cent controlling stake, is to buy from Wharf the trading and retailing rump of Wheelock for a cash consideration of HK$450m (US$57.7m).

This rump, which comprises trading groups like Cornes in Japan, as well as Hong Kong's Lane Crawford retail chain and Marco Polo International the hotel management group, will form a new group. Wheelock International, which will be 100 per cent owned by World International. The deal will be consummated on April 1 next year.

News of the reorganisation coincided with interim results for World International and Wharf. For the six months to September 30, Wharf earned pre-tax profits of HK$642.5m, up 29.5 per cent from last year's interim profit of HK$496m.

This increase, in the group's centenary year, came on a 17 per cent increase in turnover, from HK$1.53bn to HK$1.79bn.

A major contributor to the improvement was strong growth in rental incomes from developments in Kowloon, centred on Ocean Terminal, Ocean Centre and Harbour City.

World International reported a pre-tax profit of HK$222.5m, up 30 per cent from last year's interim profit of HK$171.4m.

The group reorganisation unveiled yesterday comes after a year in which Wharf has tried to dispose of non-core assets that were aquired following the purchase of Wheelock.

Mr Peter Woo, Sir Y-K's son-in-law who is chairman of Wharf, said the group had found that the process of disposal "was not an easy one." As a result, it had decided to package them into a new vehicle, leaving Wharf to develop its strategic plans as an "assets-based" group.

In a briefing that was more than anything else an exercise in what Hong Kong Chinese would call "*da tai-ji*," or verbal shadow boxing, he noted that group reorganisation would from here on be "investment led"—a comment taken to mean that the new trading subsidiary will be used as World International's main vehicle for widely-rumoured plans for international expansion.

The group is cash rich, with World itself holding a net cash surplus of about HK$500m, Lane Crawford a further HK$500m, Hongkong Realty holding about HK$1.3bn, RDC about HK$1.1bn, and Harbour Development about HK$200m. Only Wharf Properties has no net cash surplus, with long-term debts amounting to HK$600m.

"All of these operations are capable of making major acquisitions in their own right," Mr Woo said yesterday. "There are likely to be opportunities in the next 12 to 18 months, and the group is well placed to take advantage of them."

Japan Line seeks debt restructuring package

BY YOKO SHIBATA IN TOKYO

JAPAN LINE, the country's leading tanker operator, has asked its creditor banks to accept a restructuring package which includes the writedown of Y20bn ($122.5m) of its debts.

The plan—aimed at staving off bankruptcy—also calls for a moratorium on principal and interest on debts worth Y110bn and the creation of a new company to own nine Japan Line vessels, with accompanying debts of Y60bn.

Creditor banks have already frozen 70 per cent of the total principal and interest born by Japan Line group companies, amounting to Y100bn. Through the latest move, Japan Line intends to reduce its overall debts to between Y40bn and Y50bn and return to the black in its 1987 year.

Mitsubishi and Sumitomo suffer falls in earnings

BY OUR TOKYO STAFF

MITSUBISHI and Sumitomo, two of Japan's major trading houses, suffered large falls in consolidated earnings in the half-year to September, affected by the steep appreciation of the yen.

Net profits at Mitsubishi dropped by 28.9 per cent to Y14.97bn ($91.7m) on turnover of Y6,186bn, down 29 per cent.

Mitsubishi expects a 25 per cent fall in sales to Y12,700bn for the full year, and a 10 per cent fall in net profits to Y29bn.

Sumitomo's net profits dropped by 28.8 per cent to Y13.13bn, reflecting a fall in profits from subsidiaries of Y3.8bn. Sales were down 9.7 per cent to Y6,498.01bn.

Net profit for the full year is forecast at Y25bn, down 23.9 per cent, on sales of Y13,200bn.

World International (Holdings) Limited

Interim Results for the Half Year period ended 30th September, 1986

Group Results

The unaudited consolidated profit attributable to shareholders for the six months ended 30th September, 1986 amounted to HK$178.8 million, representing an increase of 29.9% in comparison with HK$137.6 million for the corresponding period of last year. Earnings per share were 10.7 cents, up 28.9% from 8.3 cents per share for the corresponding period last year.

Interim Dividend

The Board has declared an interim dividend of 3.5 cents per share in respect of the financial year ending 31st March, 1987 (85/86 — 3 cents), payable on 27th January, 1987 to shareholders on record as at 23rd January, 1987.

The register of members will be closed from Friday, 16th January, 1987 to Friday, 23rd January, 1987, both days inclusive, during which period no transfer of shares can be registered.

Warrants Subscription

During the half year period ended 30th September, 1986, the Company received subscriptions totalling HK$840.5 million from holders of the Company's warrants on exercise of subscription rights. 382.0 million shares of HK$0.50 each were accordingly issued at the subscription price of HK$2.20 per share. These shares qualified for the final dividend in respect of the year ended 31st March, 1986 and, to the extent that certain shares were issued subsequent to 1985/86 year end closing, an additional appropriation of HK$28.6 million has been made in the accounts for the period.

The subscription rights attached to the warrants lapsed after 30th September, 1986. Since the issue of the warrants in 1980, the Company has received subscriptions totalling HK$840.7 million from warrantholders, representing 99.2% of the total issue of HK$847.7 million.

Summary of Unaudited Consolidated Results

Six months ended 30th September	1986 HK$ Million	1985 HK$ Million
Operating profit	0.5	2.2
Share of profits of associated companies	222.0	169.2
Profit before taxation	222.5	171.4
Taxation — Hong Kong	(34.8)	(33.6)
— Overseas	(8.9)	(0.2)
Profit attributable to shareholders	178.8	137.6
Dividend paid	(28.6)	—
Interim dividend	(71.7)	(50.0)
Profit for the period retained	78.5	87.6
Earnings per share	10.7¢	8.3¢
Dividend per share	3.5¢	3.0¢

Earnings per share were based on the weighted average number of 1,674.9 million shares in issue during the period.

Since the Company and its subsidiary companies are investment holding companies, it is the opinion of the Directors that the Group has no turnover.

Recent Developments

As part of a diversification programme, the Group acquired on 6th October, 1986 from Hongkong Realty and Trust Company, Limited 12,716,157 'A' shares and 187,324,034 'B' shares representing 55.6% of the equity share capital and 75.1% of the voting rights respectively of Lane Crawford Holdings Limited at prices of HK$22.00 per 'A' share and HK$2.20 per 'B' share, giving rise to a total consideration of HK$691.9 million.

The Group successfully arranged on 9th October, 1986 a placement of 85 million shares of The Wharf (Holdings) Limited ("Wharf") owned by the Group at HK$8.30 per share, resulting in a reduction of the Group's shareholding in Wharf to 40.1% of its issued share capital.

Corporate Reorganisation

Agreement in principle has been reached with Wharf for Wharf to sell to the Group all of its trading, service and manufacturing interests.

These interests are held by Wheelock Overseas Management Limited ("WOML") and comprise Wheelock Marden & Company Limited and its trading, service and manufacturing subsidiaries as well as the Marco Polo International hotel management group, set up in January this year to assume management of Wharf's hotels. The financial, property and transport interests of Wheelock Marden will be retained by Wharf.

Completion is expected to take place on 1st April, 1987 and the consideration, payable in cash, will be equivalent to the consolidated net asset value of WOML as at completion adjusted to take into account a valuation of the underlying businesses of WOML.

WOML will be renamed Wheelock International Limited and will take up the Group's majority shareholding in Lane Crawford Holdings Limited following completion. The Group intends to develop its interests in trading further through Wheelock International Limited.

Wharf will continue to develop its interests in the financial, property and terminal and transport sectors.

By Order of the Board

Hong Kong, 16th December, 1986. WORLD INTERNATIONAL (HOLDINGS) LIMITED

UK COMPANY NEWS

S & N moves ahead but fails to meet expectations

Scottish & Newcastle Breweries fell short of City predictions when it reported pre-tax profit np from £43.1m to £44.8m in the six months to October 26 1986. The City had been looking for aboot £48m. Group turnover was virtually unchanged for the period at £393.8m.

Mr David Nickson, the chairman, said that trading in the six months had been generally encouraging, with the important exception of hotels. Group turnover had been distorted hy the disposal in 1985 of the Mackinlay Whisky business.

Mr Nickson said that it had heen the performance of the hotels which had led to a £3m decline in operating profit against last year and e shortfall of more than £5m against planned profit. The consequence was that S & N had been restricted to a 4 per cent increase in group pre-tax profit.

The well-publicised absence of US visitors in the spring and summer had bad a severe impact on S & N's hotels' trading — the Thistle Hotels has a particular strength in the important London market and good representation in key tourist locations such as Scotland.

He reported that during the autumn, hotel revenue had recovered to budgeted levels and it could therefore be supposed that, under more normal summer conditions, the strong growth seen previously would have continued. He believed thet this assessment had been reinforced by strong current business levels and good forward bookings.

Trading in beer had followed n now familiar pattern: draught beer sales to the on-trade had continned to be dull; sales of take-homa beer did particularly well; while the company's leading position in canned and non-returnahle bottled beers had provided exceilent volume growth.

Beer margins had improved further, helped by significant production efficiencies. The Home Brewery, which had been purchased for £121m in September, was proving an excellent acquisition and had already showed indications of strong future profit potential.

Tax charges moved ahead from £13.4m to £14.3m and earnings per 20p ordinary share worked through et 10.1p, up from 10p last time.

The company declared an interim payment of 2.41p against an equivalent last year of 2.19p.

See Lex

EMAP agreed bid for Courier

BY ALICE RAWSTHORN

EMAP, the magazine, newspaper and exhibition group, yesterday announced thet it has agreed terms for the acquisition of Courier Press Holdings, which has newspaper and printing interests in the Midlands. The offer is worth np to £21.5m in cash and £23.1m in shares.

Given that both companies have substantial newspaper interests it is thought probable that the proposed acquisition will be referred to the Monopolies and Mergers Commission.

According to EMAP it has "not been discouraged" by its preliminary discussions with the Department of Trade and Industry. The MMC is expected to reach a decision hy the end of April.

EMAP first approached CPH in late November. At that stage it offered £18.5m in shares and cash for the company. It is now offering £10.80 in cash or EMAP unsecured loan stock for each CPH share. As an alternetive it is offering 17 new EMAP shares for every two CPH shares. Yesterday EMAP's A shares rose by 2p to 137p.

The directors of CPH have accepted EMAP's offer and have agreed to recommend it to shareholders.

Courier Press produced pretax profits of around £2.07m last year and had net tangihle assets with a book value of £8.1m at the end of the 1985 financial year. Once the acquisition is completed Mr Stanley Clarke of CPH will be invited to join the EMAP board.

Simon offer extended

Valuedale, the newly-created company which is making a £178m partial takeover bid in the form of a management buy-in for Simon Engineering won minimal acceptances from shareholders by Monday's first closing date.

The Valuedale offer was accepted by shareholders owning 33,060 Simon ordinary shares or 0.05 per cent of the equity and just 742 cumulative preference shares, 0.08 per cent of the preference equity.

Before announcing its bid on November 7 Valnedale owned 0.56 per cent of Simon while associates deemed to be in concert with it owned 0.42 per cent.

The offer of 180p cash and one Valuedale share worth a notional 100p has been extended until December 29.

Valnedale pointed out that contested offers often attracted relatively few acceptances by their first closing date.

It cited Hanson Trust's bid for Imperial Group and the Burton Gronp's bid for Debenhams as two recent successful bids which had won acceptances of less than 1 per cent by the first close.

In reaction to the level of acceptances Simon said this was an overwhelming rejection which showed clearly that its shareholders recognized the offer was a means for Valnedale directors to make massive personal profits.

Simon shareholders would be taking the risk for Valuedale and its backers to reap the reward, it said. The massive borrowings required to fund the bid would cripple Simon, it added. "Sir Devid Nicolson, chairman of Valuedale, should withdraw. He has chosen the wrong company and the wrong route," Simon said. Simon's shares were unchanged at 308p.

B&C faces opposition in move for Steel shares

By Charles Batchelor

British & Commonwealth Shipping, the financial services and transport group, has run into opposition to its bid to buy the outstanding shares in Steel Holdings. The Steel purchase was the first deal be announced by B&C since Mr John Gunn became chief executive in October.

Tamween Holdings, a private investment company owned by the Gargour family and the holder of a 25 per cent stake in Steel, said it would not accept the B&C offer of 630p per share. At this price Steel is valued at £90m.

Mr Gilbert Gargour said Tamween had informally approached B&C a year ago to say it was prepared to offer 650p a share for Steel. Tamween had also recently been approached by a UK public company willing to offer 675p or even 700p for Steel if it could get B&C's backing

"We are surprised that the Steel board accepted so quickly at 630p and then pulled up the shutters to offer no explanation for their actions," he said.

Tamween is attempting to force a higher bid from B&C. Failing that, it is recommending other shareholders not to sell their shares since their investment in Steel would be worth more under B&C's direct management.

Since launching its bid, B&C has acquired further shares or undertakings to accept its bid which take its effective stake from 45 to 50.5 per cent.

If Tamween blocks the B&C bid, B&C would be unable to obtain the 90 per cent stake needed compulsorily to buy in outstanding shares and fully consolidate Steel.

Steel shareholders would be locked into a company which has recently experienced a sharp drop in profits, he added. Steel announced last week that it expected profits to fall to not less than £11.5m in 1986 from £11.8m while earnings per share would fall from 47.9p to 36p.

Barings, adviser to B&C, said that B&C had received no firm offer for Steel higher than the 630p which B&C was offering.

Steel's shares were unchanged at 635p yesterday.

Lucy Kellaway examines Enterprise's deal with ICI

Oiling the wheels of survival

"YOU'LL HAVE to watch me on this one. I'm such an enthusiast about it that I'm beginning to sound like an Amsterdam share hustler."

Mr John Walmsley, the finance director of Enterprise Oil was talking about yesterday's £115m agreement to take over all Imperial Chemical Industries' oil and gas interests, and in return to give ICI a quarter of the new, enlarged company.

The City's oil watchers, most of whom spoke at length to Mr Walmsley yesterday, seemed to have been infected by his enthusiasm, and by the end of the day all were giving further elaborate reasons why the deal made good sense.

The advantages for both sides appear relatively straightforward. ICI gets rid of a bundle of assets, which it says "had been doing all right, but were not huge relative to its own business," and gains "a quarter of a much expanded oil and gas business, with good prospects."

Enterprise gets an extra 30,000 barrels a day of production from the Ninian field, £25m in cash, and little in the way of exploration commitments and projected development expenditure. Enterprise said that the result was a much stronger company, well equipped to live through two or three years of miserable oil prices. Furthermore, shareholders would get a substantial enhancement to earnings and the prospects of maintained dividends well into the future.

The deal ends on a triumphant note a year of bustling corporate activity in the oil exploration and production sector, during which the smaller companies, badly battered by the fall in the oil price, have been fighting for survival.

Most of the recent crop of deals, including those by Carless Capel and Leonard, which bought Winterbottom Energy Trust, and by Tricentrol and Ultramar, both of which sold North American assets, have been motivated by the pressing need to reduce borrowings. Other deals, like the bitterly contested takeover of Berkeley Exploration and Production by Ranger Oil, showed how difficult survival has become in a market which increasingly favours the larger companies.

The smell of necessity, which has been hanging around much of this year's reshuffling, is absent this time. The Enterprise-ICI agreement resembles the deal struck in the summer between Premier Consolidated Oilfields and Burmah Oil, in which Premier relieved Burmah of its oil interests, and Burmah took a stake in Premier. The deals were possible as both Enterprise and Premier were negotiating from a position of strength with low borrowings, and were able to present themselves as attractive long term investments.

A major effect is to strengthen the company's present standing and increase its room for manoeuvre in the future. With the addition of the ICI assets, Enterprise will have no difficulty for the next few years in funding from cash flow its fat bundle of proposed developments, which include the Miller and Arbroath oil fields and the Ravenspurn North and Amythyst gas field.

"This is really a financing deal. Enterprise was suffering from the problems created by its own success, and until now its funding arrangements for 1988 looked sticky," Mr David Gray from James Capel said yesterday.

The deal has also given Enterprise, which last year paid £122m in cash for Saxon Oil, hitting the top of the oil market, room to become acquisitive

Mr John Walmsley, finance director, Enterprise Oil

again. The company says it is planning a series of acquisitions which will "not necessarily be companies and not necessarily be in the UK."

Enterprise was not prepared yesterday to rule out the acquisition of one of the less well placed fellow UK independents. And it would not laugh down the suggestion that it was strong enough to buy Tricentrol, the hard-pressed oil company with more than £100m of borrowings.

From a management point of view merging the two concerns seems to make sense. Enterprise is generally thought to be an adventurous and well run oil company, with e record that compares favourably to the more staid approach of ICI.

Unlike many of the oil deals struck last year, this one has not been motivated mainly by tax considerations. ICI has been quietly paying petroleum revenue tax on its Ninian production with almost no exploration costs to offset against it, and Enterprise also finds itself, despite the fall in the oil price, still a payer of PRT.

If the deal goes through Enterprise is likely to respond by increasing its exploration programme, which like that of other independents was cut this year by nearly 50 per cent. Other ways of becoming more tax efficient are also open to it, including the sale of its small and messy stakes in the Forties and Fulmar fields, both of which pay PRT.

There is an outside chance that despite its benefits, the deal will not meet shareholders approval and will never be realised. For that to happen Rio-Tinto Zinc, which indirectly owns a stake in Enterprise through LASMO, and which has long been tipped as a future bidder for Enterprise, would need to persuade both LASMO and at least 20 per cent of Enterprise's other shareholders to block the deal.

LASMO, which owns 29.9 per cent of the shares, yesterday would not say how it was going to vote at the New Year egm, but Mr Chris Greentree, chief executive, said that the vote would be cast on the deal's merits.

"Macho doesn't count," he said. Nevertheless, he was more cautious than most yesterday on the merits of the deal. "We haven't seen enough detail to assess whether it is good, bad or indifferent."

If the deal goes through it will make the prospect of a takeover of Enterprise less likely when the Government's golden share expires in 1989. While the deal reduces the chances of a takeover by RTZ, it does not open the door to ICI as a possible bidder at least until 1991, unless ICI was merely trumping an offer from a freer predator.

Ind. Newspapers expands

BY CLAY HARRIS

Independent Newspapers, the Irish-based media group, has bought its first newspapers in the UK and consolidated its position as the second largest outdoor poster contractor in France.

It will pay £2.4m for 80 per cent of Greater London and Essex Newspapers, which publishes two paid-for weeklies, the East London Advertiser and Barking & Dagenham Post, and five free titles. The company reported turnover of £4.2m in 1985.

Independent will buy the remainder of GLEN within three years for a price linked to profits.

The Irish publisher also announced the purchase for FFr 7.61m (£809,000) of 87.5 per cent of Presse Edition la Boetie, a contractor with 2,000 four-sheet (3 ft 4 in wide by 5 ft high) poster hoardings in south-west France.

Independent already owns 13,000 hoardings through two French subsidiaries. It will buy the minority within three years in this case as well.

Ward White edges up stake in LCP

Ward White, the retail group which increased its hostile bid for Midlands-based LCP Holdings last week from £141m to £173m, continues to edge up its stake. Yesterday, it announced that — together with an associate company — it now holds 42.8 per cent of LCP. Acceptances in respect of 0.5 per cent of LCP shares had also been received by last Friday.

UK COMPANY NEWS

Oriflame bid battle for Goldsmiths

BY NIKKI TAIT

A £40M BID battle has broken out between Oriflame, the London-listed but Scandinavian-based direct selling cosmetics company, and Goldsmiths Group, Britain's third largest retail jeweller which also has interests in hotels and insurance broking.

Oriflame, which came to the London market via a £5.2m offer for sale in 1982, is offering one of its own shares plus 102½p in cash for every seven Goldsmiths held. With Oriflame down 10p at 860p, that values each Goldsmiths share at 267½p. There is a full cash alternative of 260p a share.

But the bid was immediately rejected by Goldsmiths, which described it as opportunistic and wholly inadequate. "It in no way reflects the underlying value of the constituent businesses," commented chairman and chief executive Mr Jurek Piasecki.

Oriflame first acquired a 14.3 per cent stake in Goldsmiths at the end of November and, according to the jewellery company, there have been a couple of brief discussions since then but no agreement on an offer could be reached.

Yesterday, Morgan Grenfell were in the market for Goldsmiths shares, taking Oriflame's stake to 22.7 per cent immediately and to just under 28 per cent by the close.

Goldsmiths has a turbulent recent past. In 1983, Mr Tony Gover moved in as chairman, having acquired a 33 per cent holding from the company's founding family shareholders. A number of additional jewellery shop chains were purchased—including the Walker and Hall business from Mappin and Webb which brought in 42 outlets; the betting shop division was augmented; and his own insurance company — Anthony Gover—injected.

But in 1985 the betting shops were sold off to Coral for £7m and at the end of the year Mr Gover resigned, to be succeeded by Mr Piasecki. In February this year, the insurance business—which takes in 42 offices—was franchised out to national motor insurance specialist, Swinton. Swinton now holds an 8 per cent stake in the company.

Most recently, Goldsmiths has diversified into hotels; following the £12.4m acquisition of the loss-making Prince of Wales Hotels group in September, it operates a 12-strong chain. In 1985-86 group profits fell from £1.62m to £657,000 before tax, although the core jewellery business contributed £1.8m against £1.43m in the previous year. Last month Goldsmiths reported an interim pre-tax loss of £267,000.

If successful, Oriflame's chairman, Mr Jonas af Jochnick, says he plans to make few changes to the jewellery division, and is looking to retain the hotels. Oriflame, he added, would need to assess the hotel business, but believed there would be no shortage of potential buyers if it wished to sell. Net assets of the POW Group were put at £11.5m at end-1985, and Goldsmiths estimates the figure for its total chain to be over £16m.

Goldsmiths itself is planning to dispose of the insurance business to Swinton. Yesterday, Mr Piasecki said the deal was due to be completed by the end of 1986—in the absence of legal delays—and should bring around £1m cash into the business.

Although Oriflame was founded in Sweden in the sixties, it is now registered in Luxembourg, has headquarters in Brussels and manufactures in Dublin. Group profits have increased steadily over the past five years and reached £5.8m in 1985. Its primary business is cosmetics, but it diversified into jewellery when it bought the largest Swedish retail chain, Guldfynd, for £14m last year. "Goldsmiths is very compatible with our existing business in Scandinavia," argued Mr af Jochnick yesterday.

Goldsmiths itself has been a much-rumoured bid target lately, and the shares have risen from under 200p in mid-October to 246p ahead of the Oriflame announcement. Yesterday they added a further 14p to 260p.

Berisford freeezes rights of 6m shares

By Andrew Gowers

S. & W. Berisford, commodities group which has been the subject of three bid approaches this year, has won an emergency High Court order temporarily disenfranchising holders of about 3.1 per cent of its share capital.

Charterhouse, Berisford's merchant bank advisor, said yesterday that the unusual move reflected the company's concern at the build-up during the last three months of significant unidentified shareholdings in the company.

In the High Court on Monday, Mr Justice Hoffmann granted an order imposing restrictions, under part XV of the Companies Act 1985, preventing the owners of blocks of Berisford equity, totalling 6m shares, from voting the shares, transferring them or receiving any dividend on them.

Mr Sandy Muirhead of Charterhouse said the move was principally aimed at identifying the beneficial ownership of the shares, held through nominees. It is important because Berisford might be at the centre of a formal bid battle in the next few months. Dividends will be accrued, but not paid, until the beneficial owners are identified.

Tate & Lyle, UK cane refiner, and Ferruzzi, Italian agricultural group, have both approached Berisford with a view to acquiring control of its British Sugar beet processing subsidiary. The approaches are the subject of a Monopolies and Mergers Commission inquiry, which is due to be completed by January 18. A third approach by Hillsdown Holdings was dropped after it was referred to the Commission.

"Berisford is nervous about having significant and possibly growing unidentified blocks of shares, in view of the fact that the company might become involved in a Westland-style standoff," said Mr Muirhead.

He said the company had tried to identify the beneficial ownership in three separate chains of nominees, involving stockbrokers James Capel, Banque Internationale a Luxembourg and Union Bank of Switzerland. It was possible that the three chains were related, he added.

Ferruzzi, which has a 23.7 per cent stake in Berisford and which several weeks ago signed a conditional deal giving it a 70 per cent stake in British Sugar, has given assurances that it was nothing to do with the mystery holdings.

City analysts said they could not recall another recent example where a major company had attempted to disenfranchise shareholders in the High Court. However, Berisford's action follows a move by Consolidated Gold Fields, the London-based mining house, to call in inspectors from the Department of Trade and Industry after it had detected what it described as irregular activity in its share register.

Berisford's share price closed unchanged at 28p.

McCorquodale's final year shows profit up by 41%

McCorquodale, the printing and publishing company which in November lost its battle against an unwanted takeover bid from fellow printing group Norton Opax, reported pre-tax profit up from £10.2m to £14.4m in the year to September 30 1986—its final year as an independent company.

The company said that in its defence it had spent £2.2m, which had been recorded as an extraordinary debit.

Group turnover increased from £141m last time to £158m. Associated companies saw their turnover fall from £19m to £16m.

As the figures were reported, Norton Opax announced that it was restructuring the enlarged group into three operating activities.

Strategy, international funding and marketing would be centred at Norton's head office in Harrogate. Trading operations had been divided to form a new international group, and UK operations would be organised into seven specialised trading divisions; security products; special products, packaging; publishing and advertising; book printing; magazine printing; and commercial printing.

All but two of the McCorquodale main board would be leaving by the end of the year. However, of the remaining 26 managers who supported the proposed management buy-out, 23 would be staying with the enlarged group.

Mr Richard Hanwell, the Norton chief executive, said that any job losses would be very small.

A provision of £4.75m in the consolidated accounts had been made against the possible cancellation of McCorquodale's printing machinery development project. It had been made in the uncertainty of the future of the project in the face of the Norton bid. And in view of that uncertainty, a consequential provision had been made in the accounts of the parent company against amounts receivable from a subsidiary.

UK profit almost doubled to £10.1m (£5.3m). Other divisions reported as follows: Europe, £367,000 (£262,000); N. America £4.3m (£2.9m); S. America, £1m (£2.8m); Africa, £946,000 (£1m); Australia and Far East, £466,000 (£298,000).

Profit increases were partially offset by a reduction of £1.7m in the contribution from McCorquodale's Brazilian associate which was not able to match the exceptional profit earned in the previous year.

Extraordinary profit after tax, disregarding costs for the bid defence and additional provisions, amounted to just under £2.7m, higher than the estimated £2.5m, and arose principally from profit on the disposal of the group's 25 per cent interest in the Dealers' Digest.

Tax amounted to £2.8m (£4.2m) and earnings worked out at 22.56p. They would have been 21.17p had the company remained independent and paid the estimated final ordinary dividend of 5.25p. Original estimations for earnings were 20p.

As a result of the takeover, no final dividend was proposed. McCorquodale's paid a final of 3.4p last year.

Parker Knoll buys Semple for £7.4m

By Philip Coggan

Parker Knoll, the furniture and textiles company, yesterday announced the £7.38m acquisition of Semple, a furnishing fabric designer and distributor.

Semple sells fabrics to manufacturers, reupholsterers, interior decorators and retailers under the Monkwell brand name. In the year ending December 31 1985, it made pre-tax profits of £798,000 on turnover of £6.22m. On that date, it had net assets of £2.29m.

Over half Parker's profits come from its textile division, and the group hopes that the Monkwell brand will slot in beside its existing Parkertex and G. P. and J. Baker ranges.

The consideration will be satisfied by the payment of £7.18m in cash and the issue of 4,000 ordinary and 43,000 A non-voting shares. When the acquisition is completed, Mr Richard Glynn, Semple's managing director, will join the Parker Knoll board.

CARDIFF PROPERTY (property investment) increased its pre-tax profits from £17,522 to £33,329 in the year to September 30, 1986. Turnover was down from £224,891 to £186,460. Tax took £15,636 (£14,346), and there was an extraordinary credit of £761,929 compared with £38,592. Earnings per share improved from 0.3p to 0.8p.

Oceonics stays in the red

Group Oceonics communications technology and offshore services group made some improvement in the six months to September 30 1986 cutting back its pre-tax losses from £3.27m to £1.97m. Turnover was down sharply, from £27.98m to £12.76m reflecting the radical rationalisation programme.

Mr P. Laister, said that an important aspect of the results was the effect of high depreciation charges which related to the substantial asset base. Of the £2.1m (£3m) loss attributable, some £1.6m related to depreciation.

He said that the company was moving rapidly towards significantly lower charges in future years, while the large written down equipment base would serve major needs for some years to come. Cash controls were working well and company was operating within cash forecasts despite the greater-than-anticipated losses.

Notwithstanding the heavy depression, company's geosite rentals and equipment businesses had shown a trading profit, the survey businesses also showed a contribution but moved into loss after allowing for depreciation.

Mr Laister said that while the market for these marine-related businesses could not be expected to improve before the spring of 1987, there were signs in the level of inquiries and tenders that were more encouraging for the levels of work in the next financial year.

The defence-related subsidiary Oceonics SPL was expected to pass through break even point this year. Having invested in this business for the past several years, it hoped to end the full year in profit and with exciting projects in hand.

Oceonics Communications continued to progress in the development of its video conferencing and satellite-related technology business, but remained in the build-up and cash absorbing phase of its growth.

The chairman said overall, cost reductions had continued showing substantial further savings across the group.

The operating loss in the period amounted to £1.71m (£2.43); the share of losses of related companies was £73,000 (profit £42,000) and interest and similar charges took £189,000 (£879,000). The loss per 10p share was 6.8p (12.9p). Preference dividends for March and September have not been paid.

Egerton Trust in US property deal

BY NIKKI TAIT

Egerton Trust, the property company whose main interests are in nursing homes and sheltered housing for the elderly, is moving into property development in the United States via a $12.4m (£8.65m) deal.

Egerton—previously Caparo Properties — is subscribing $2.5m (£1.74m) for 92.5 per cent of Egerton Inc, with the remainder held by Mr Sam Wright, who has been running housebuilding interests for Alfred McAlpine in New England. Egerton Inc is then forming a wholly-owned subsidiary, Petera Hartel Corporation, which will acquire certain development land, work in progress and built properties in residential areas of Vermont and Massachusetts for an initial cash consideration of $10.4m (£7.3m).

To finance the purchase, Egerton Inc is borrowing $7.6m in the States and the UK parent is making a short-term loan of $2m. The land being acquired has been valued by Massachusetts-based Laventhol & Horwath at $14.1m. In a separate deal, PHC is paying $500,000 for an option agreement on a waterfront site close to Newport, Rhode Island.

Longer-term, Mr Frank Sanderson, chairman of Egerton, says the intention is to seek a listing for the American operation on the Over-the-Counter market in the States.

Philip Harris

Philip Harris (Holdings), Staffordshire-based scientific and educational apparatus supplier, reported pre-tax profits up at £545,000 against £411,000, in the six months to the end of September 1986. Turnover increased by £7.2m to £24.08m.

Earnings per 20p share came out at 11p (7.84p) and the interim dividend is unchanged at 3.75p.

Mr John Haller, chairman, said that the company continued to make healthy progress. It was impossible to predict the full year profit because of the second phase of the Sultan Qaboos University contract in Oman, but he added that the longer-term prospects remained good.

Wettern Bros. in bid talks

Wettern Brothers, the Croydon-based construction materials company, announced yesterday that it has entered into discussions which could lead to an offer being made for the company.

Discussions were at a preliminary stage, and a further announcement would be made in due course, Wettern said.

The announcement was made in view of the recent rise in the company's share price, Wettern said. Wettern shares closed 11p up at a 1986 high of 131p yesterday, valuing the company at £2.2m. At the beginning of the month the shares were changing hands at 100p.

Mr D. W. Jenkins, finance director at RMC Group which holds a 29.4 per cent stake in Wettern Brothers, said yesterday that RMC retained its stake and had neither bought nor sold any other Wettern Brothers shares. He declined to comment on the news that Wettern was involved in bid talks.

In the six months to June 30 Wettern recorded pre-tax profits of £65,900 on turnover of £1.1m and forecast an increase in the full-year dividend.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Archimedes Inv 2nd int	6.3	Feb 17	5.75	10.9	10.15
BSS Group .... int	†3.2	Jan 23	2.75	—	7.75
Caffyns .... int	3.2	Jan 22	2.2	—	5.5
Hardys and Hansons ...	13.1	Mar 2	11.9	18.7	16.9
P. Harris (Hldgs) ...int	3.75	—	3.75	—	9.25
Imperial Cont Gas int	8	Feb 9	6.25	—	14.5
McCorquodale	nil	—	3.4	2.75	5.7
Peel Hldgs .... int	3	Apr 6	2.75	—	8.75
Plaxtons (GB)	3	—	3	4.5	4.5
Plysu .... int	0.65	Jan 30	0.53*	—	1.8*
Triplex .... int	†0.75	Jan 30	—	—	2
Western Selection	1.7	Feb 20	1.7	3	2.7

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

BSS profits advance to £3m at interim stage

BSS Group, Leicester-based specialist supplier of pipeline equipment, improved pre-tax profits by nearly 18 per cent to £3m against a previous £2.56m in the half-year ended September 30 1986.

The directors are raising the interim dividend by 0.45p to 3.2p. Earnings for the half year rose from 10.4p to 13p per 20p share.

Turnover for the period improved from £37.91m to £39.62m, which generated a trading profit of £3.31m (£2.91m). The pre-tax result was struck after finance charges down from £349,000 to £301,000. Tax was £1.14m (£1.07m).

In November the company acquired Manor Building and Plumbing Supplies, a specialist distributor of copper tube fittings, for £8.85m, and to bring its figures in line with the company Manor's accounts will run for 15 months to end-March 1987. An apportionment will be made to include the equivalent of 12 months' figures in the BSS group total for 1986-87.

Mr P. W. O'Donovan and Mr A. D. Milnes, divisional directors of the group's principal distribution business, will join the board as executive directors from the week ending January 1 1987.

● comment

BSS's interim figures are sans the £8.5m Manor Building acquisition completed in November. A full year from the acquisition, when merger accounted, should bring the second half up to £7½m—which suggests earnings per share at 30p and a prospective multiple of 8 for the shares on 240p. This seems on the low side but both copper and plastic plumbing are commodity businesses. Even the concentration on the commercial, which is strong, and industrial, which is less dynamic, cannot guarantee margins. Nevertheless, this year should show BSS as a £100m sales a year company — a landmark that might attract interest elsewhere.

Giordano takes £100,000 cut in salary

Mr Richard Giordano, chairman of BOC, has had a sterling pay cut of over £100,000 a year. Mr Giordano, until recently Britain's highest-paid executive, is to receive an unchanged salary in local currency but the weakness of the dollar against sterling causes a 13.5 per cent fall from £883,100 to £772,800.

Mr Giordano was recently overtaken by Sir Ralph Halpern of the Burton retailing chain, whose salary was raised to over £1m a year. Mr Giordano said he was "very relieved" to have lost the top spot.

Mr Giordano is American and a large proportion of his earnings are paid in US dollars, principally for tax reasons.

YEARLINGS—The interest rate for this week's issue of local authority bonds is 11¼ per cent, down 1/16 of a percentage point from last week, and compares with 11¼ per cent a year ago. The bonds are issued at par and are redeemable on December 23, 1987. A full list of issues will be published in tomorrow's edition.

UK COMPANY NEWS

IC Gas outstrips City expectations

BY LUCY KELLAWAY

Imperial Continental Gas yesterday surprised its shareholders by announcing a rise in pre-tax profits for the six months to September to £18.5m from £17.3m and a leap in attributable profits to £14.7m (£6.7m), which was more than twice the figure that some City analysts had been expecting.

IC Gas, which has been fighting an unwelcome bid from Gulf Resources, the US company controlled by David and Frederick Barclay, the UK investing twins, earned a respite last week when the bid was referred to the Monopolies and Mergers Commission.

The unexpectedly good results were accompanied by an optimistic statement about prospects for the rest of the year, which for the company as a whole are "very good," while those for Calor, the group's main subsidiary, are "excellent."

However the company warned that the interim figures were of limited use in assessing the full year outcome because they included no contribution from most of the Belgian assets, and because of the uncertainty of winter fuel demand.

In support of the good results the company is paying out an increased dividend of 8p, compared to 6.25p in the first half of last year, a rise of 28 per cent. IC Gas shares responded enthusiastically yesterday, rising 11p to 573p, only marginally below the peak of 581p reached before the Gulf bid was referred.

The increase in pre-tax profit was almost entirely due to a much better performance from Calor, where profits surged from less than £1m in the first half of last year to £16.2m.

Calor's much better results almost offset e dramatic deterioration from Century Power and Light, the group's oil and gas subsidiary. As a result of the collapse in the oil price over the last year, a profit in the first half of last year of £14.1m was turned into a loss of £3.8m, while turnover fell by more than two-thirds from £40.5m to £15.4m.

The large rise in after-tax profits was due mainly to a fall in the tax charge of over 40 per cent, related to writing back deferred taxes on the company's oil operations.

IC Gas yesterday attributed the much improved performance at Calor to higher volumes in both cylinder and bulk gas markets, and to improved efficiency. It said it was also able to buy its LPG more cheaply due to the addition of underground storage facility on Humberside, which is now complete.

Of the group's Belgian subsidiaries only IGAO, the Antwerp gas utility, was included in first-half figures, which contributed £4.5m, an improvement of about £300,000 caused by exchange rate movements.

Apart from Calor, the other main area of improvement was in the miscellaneous category where the contribution rose to £1.6m from a loss of £1.6m in the first half of last year. The turnaround was due to higher interest relating to the sale of Compair.

Group turnover as a whole was £122m (£119m) and the tax charge was £4.8m (£8.2m).

See Lex

J. Bibby in £18.5m acquisition of US cheque printer

J. Bibby and Sons, the UK-registered industrial and agricultural holding company 86 per cent-owned by South Africa's Barlow Rand conglomerate, is paying US$26.5m (£18.5m) in cash to acquire Intercheck, a private US cheque printing company.

Bibby announced yesterday that its US subsidiary, Princeton Packington, had agreed in principle to a deal with Cairn Capital of Toronto, Canada, the present owners of Intercheck, subject to the approval of US anti-trust authorities.

Bibby will finance the acquisition by drawing down part of the £70m finance facility arranged earlier this year by County NatWest Bank.

Intercheck operates in the western, southern and central regions of the US and has printing facilities in Washington, California, Arizona, Tennessee, Mississippi, Arkansas and Illinois.

In the year ended March 31 Intercheck's turnover was $52.14m. For the six months to September 30 turnover was $27.95m with net profits estimated at $1.3m. The price paid for Intercheck represented a price/earnings multiple of 10 times based on annualised results for the six months to end-September, Mr Bas Kardol, Bibby's chairman, said.

He anticipated that Intercheck's management would be staying with the company after the deal was completed.

Bibby said yesterday that growth in demand for cheques in the US remained strong, with 40bn cheques written in 1984. Market research predicted an annual increase of 4.1 per cent giving a total of over 51bn cheques by 1992.

Intercheck, Bibby said, ranks as one of the leading cheque printers in the US. Mr Kardol added that the acquisition was part of Bibby's long-term strategy to expand its interests in printing and packaging in areas of good growth, and would complement its North American operations. Intercheck, he said, "should make a positive contribution to our earnings per share in this financial year."

Rationalisation boosts Caffyns recovery

Leaving aside extraordinary items, **Caffyns**, the automobile agent and engineer, achieved a sharp recovery in pre-tax profits with a rise from £283,000 to £533,000 in the half-year to September 30, 1986. In addition, profits were boosted by a credit of £208,000 (loss £28,000) from branch rationalisation—the surplus on disposal of properties after deducting the cost of rationalisation.

This has produced a sharp reduction in interest charges, down from £811,000 to £626,000 in the half-year, and will produce a further reduction in the second half of the year and an additional surplus of at least £600,000 after tax.

Turnover in the first six months rose from £54.67m to £56.11m and trading profits were £1.16m (£1.09m). Tax was £61,000 (£50,000)

Craton Lodge

Craton Lodge and Knight, the USM quoted product development consultant, reported pre-tax profits up from £501,000 to £605,000 for the year to end September 30 1986 from an increase of £440,000 to £3.41m in turnover.

Mr D. M. Craton, chairman, said the encouraging performance had continued into the new financial year and prospects for the new product development business appeared more promising than they had at the same stage in any preceding year.

Plaxtons confident despite fall

Plaxtons (GB), Scarborough-based coachbody builder, reported pre-tax profits for the year to September 28 1986 down by 44 per cent to £732,000, against £1.31m. However, the directors expect an improved performance in the present year and are recommending an unchanged final payment of 3p to make a same-again total of 4.5p.

Turnover improved from £32.32m to £36.95m and the earnings per share came out at 4.2p (6.1p). The dividend has been maintained despite requiring £41,000 from reserves.

The company also announced the acquisition of Kirkby Group, a coach distributor and General Motors dealer for £8.5m. The consideration is to be satisfied by £5.3m in shares and £3.2m cash, of which £500,000 in shares will be deferred.

Kirkby reported pre-tax profits of £622,000 in 1985 and the vendors will warrant profits of £1.2m for the present year. Two members of the Kirkby board will join the Plaxtons board.

Directors said that despite the static market the present year should see a reversal of the trend of depressed results in the major coach division. The service division was expected to show similar high profits to the year under review and the building section was expected to show considerable increase in profits from higher levels of activity.

The Overton and Burgess subsidiaries were expected to continue at full capacity with the continuing high demand for mini-buses. But margins at Burgess could fall because of increased competition.

The contract for the sale of the site at Seamer Road, Scarborough was now unconditional and directors expected that would result in an extraordinary profit of about £1.4m for the year.

Cement Roadstone US expansion

Cement-Roadstone Holdings, the Dublin-based Construction materials group, has made two acquisitions aimed at boosting its presence in the US.

CRH is taking a 50 per cent interest in Borbem-Fields Inc for US $6.25m in cash. The deal gives CRH the option to acquire the remaining 50 per cent of the company.

In the six months to end-August Boorhem's pre-tax profits were $2.2m on sales of $18.5m.

CRH is also buying a 50 per cent stake in Faulkner Concrete Pipe Company for $5.4m, with an option to buy the balance of the equity.

CI Group in £5m acquisition

CI Group, the specialist steel production and engineering company, is to buy Express Reinforcements, a steel reinforcement distributor, for a maximum of £5.1m.

CI, which made profits before tax of £1.02m on sales of £27.6m last year, is paying £2.9m initially. Further consideration depends on future profitability.

The acquisition is CI's fourth this year. The previous three, all of specialist engineering businesses, cost £11.1m.

CI said the proposed purchase of Express was in line with its policy of moving closer to the end user and more into the service sector.

Western Selection lifts profits 50% to £1.2m

A FALL in the copper price helped Western Selection, the investment finance and telecommunications cable company, to produce record pre-tax year-end profits up 50 per cent to £1.2m on turnover largely unchanged at £11.6m.

In September, Selection called a £2.53m rights issue to provide Duratube & Wire with increased manufacturing capacity.

The subsidiary generated almost 80 per cent of the group profits for the year to September 30 with a contribution of £985,000 (£581,000), said directors. Sales volumes improved and the coming on stream of the external cable line in early 1986 helped performance.

Net current assets—held mainly in listed stocks and shares—achieved a return of 22.9 per cent on capital employed. The market value of long-term investments in the Kwahu Company and Gold and Base Metal Mines rose by more than £1m.

Tax took £494,000 (£319,000). There was an extraordinary credit of £101,000, the reinstatement of an amount which was previously written off a listed investment held as a fixed asset.

Earnings per share rose 50 per cent to 7.16p (4.76p) and the recommended final dividend is the same at 1.7p.

Hillsdown buys duckling business

Hillsdown Holdings, the acquisitive food to furniture group, yesterday announced that it is adding the Norfolk-based duckling business of H. C. Beales & Co and S. B. Vincent to its existing Buxted poultry interests.

Hillsdown is paying £3m in cash for the business, Britain's second largest duck producer with around 12½ per cent of the market. It produces around 1m birds a year, has sales of £3.5m and currently makes a small profit.

Besides trading under the Elmum brand, it packs for a number of retail chains and Hillsdown says it plans to introduce new value-added products to the range. Mr Stephen Vincent, managing director, will remain with the company.

In a smaller £720,000 deal, Hillsdown is buying 72.6 per cent of Rosper Food Services, which processes poultry products. Hillsdown will buy the outstanding equity on a profit-related formula over the next three years.

BOARD MEETINGS

TODAY

Interims:—Baldwin, British Land, Brookmount, Danae Investment Trust, Gibbs Mew, Jurys Hotel, Mansfield Brewery, Rotaprint, J. Rothschild, Eliza Tinsley.

Finals:—Chemring, Kelsey Industries, Y. J. Lovell, Mecca Leisure, Reliable Properties, Soundtracs, Widney.

Halma advances 26%

Halma, the safety, security and environmental products group, produced a 25.6 per cent increase in its halfway pre-tax profits to £2.85m as directors confirmed the group's growth potential.

Most of the group's companies had again produced good results, they said. The American division had improved profitability, particularly Castell Safety Inc and Aquionics Inc.

Standard Engineering was closed at the end of the October. Net closure costs were expected to be between £350,000 and £450,000 and will be listed as an extraordinary item at the year end.

Turnover rose 20.7 per cent to £17.29m (£14.33m), trading profits were £2.85m, up from £2.27m, the employees' share scheme took £37,000 (£32,000) and interest payments climbed from £29,000 to £37,000.

Holmes & Marchant ahead

Holmes & Marchant, the sales promotion consultant and graphic designer which moved up from the USM to a full quote last August, reported a pre-tax profit of £2.01m (£1.24m) for the year to September 30 1986. The comparative figures for 1985 have been re-stated to include the results of Blizt Design and Graphics on a merger accounting basis.

The directors stared that the marketing service sector continued to be buoyant and trading in the current year indicated increased turnover both from existing and new elients.

The directors looked forward to another successful year.

Operating profits in the past year amounted to £1.84m (£1.17m) and the ahare of losses of the associated company £41,000 (nil). Interest received was £213,000 (£67,000) and tax charged, £788,000 (£548,000). There was an extraordinary debit of £81,000 (nil). A final dividend of 1.9p, making 3.15p, has been proposed (1.1p adjusted for the 100 per cent scrip issue)

All of these securities having been sold, this advertisement appears as a matter of record only.

28,540,472 Shares

UNUM Corporation

Common Stock

(par value $.10 per share)

The shares offered hereby constitute a portion of the 50 million shares of UNUM Corporation issued pursuant to the plan of conversion under which Union Mutual Life Insurance Company converted from a mutual to a stock life insurance company and became a wholly owned subsidiary of UNUM Corporation.

Goldman, Sachs & Co.

Bear, Stearns & Co. Inc.
The First Boston Corporation
Alex. Brown & Sons Incorporated
Dillon, Read & Co. Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
Drexel Burnham Lambert Incorporated
Hambrecht & Quist Incorporated
Kidder, Peabody & Co. Incorporated
Lazard Frères & Co.
Merrill Lynch Capital Markets
Montgomery Securities
Morgan Stanley & Co. Incorporated
PaineWebber Incorporated
Prudential-Bache Securities
Robertson, Colman & Stephens
L. F. Rothschild, Unterberg, Towbin, Inc.
Salomon Brothers Inc
Shearson Lehman Brothers Inc.
Smith Barney, Harris Upham & Co. Incorporated
Wertheim & Co., Inc.
Dean Witter Reynolds Inc.

ABD Securities Corporation
Advest, Inc.
Allen & Company Incorporated
Arnhold and S. Bleichroeder, Inc.
Robert W. Baird & Co. Incorporated
Bateman Eichler, Hill Richards Incorporated
Sanford C. Bernstein & Co., Inc.
William Blair & Company
Blunt Ellis & Loewi Incorporated
Boettcher & Company, Inc.
J. C. Bradford & Co. Incorporated
Butcher & Singer Inc.
Cazenove Inc.
Cowen & Co.
Dain Bosworth Incorporated
Daiwa Securities America Inc.
Deutsche Bank Capital Corporation
Eberstadt Fleming Inc.
A. G. Edwards & Sons, Inc.
Eppler, Guerin & Turner, Inc.
EuroPartners Securities Corporation
First Southwest Company
Furman Selz Mager Dietz & Birney Incorporated
Gruntal & Co., Incorporated
Howard, Weil, Labouisse, Friedrichs Incorporated
Interstate Securities Corporation
Janney Montgomery Scott Inc.
Josephthal & Co. Incorporated
Kleinwort Benson Incorporated
Ladenburg, Thalmann & Co. Inc.
Legg Mason Wood Walker Incorporated
McDonald & Company Securities, Inc.
Moseley Securities Corporation
The Nikko Securities Co. International, Inc.
Nomura Securities International, Inc.
The Ohio Company
Oppenheimer & Co., Inc.
Paribas Corporation
Piper, Jaffray & Hopwood Incorporated
Prescott, Ball & Turben, Inc.
Rauscher Pierce Refsnes, Inc.
The Robinson-Humphrey Company, Inc.
Rotan Mosle Inc.
Rothschild Inc.
J. Henry Schroder Wagg & Co. Limited
Sogen Securities Corporation
Stephens Inc.
Stifel, Nicolaus & Company Incorporated
Sutro & Co. Incorporated
Swiss Bank Corporation International Securities Inc.
Thomson McKinnon Securities Inc.
Tucker, Anthony & R. L. Day, Inc.
UBS Securities Inc.
Underwood, Neuhaus & Co. Incorporated
Wheat, First Securities, Inc.
Yamaichi International (America), Inc.

Baker, Watts & Co.
Birr, Wilson Securities, Inc.
Brean Murray, Foster Securities Inc.
Cable, Howse & Ragen
Carolina Securities Corporation
The Chicago Corporation
Craigie Incorporated
D. A. Davidson & Co. Incorporated
Shelby Cullom Davis & Co.
R. G. Dickinson & Co.
Doft & Co., Inc.
Dominick & Dominick, Incorporated
Fahnestock & Co. Inc.
First Albany Corporation
First Manhattan Co.
J. J. B. Hilliard, W. L. Lyons, Inc.
Investment Corporation of Virginia
Johnson, Lane, Space, Smith & Co., Inc.
Johnston, Lemon & Co. Incorporated
Cyrus J. Lawrence Incorporated
WR Lazard Securities Corp.
Moore & Schley Securities Corporation
Needham & Company, Inc.
Neuberger & Berman
W. H. Newbold's Son & Co., Inc.
Newhard, Cook & Co. Incorporated
Parker/Hunter Incorporated
Raymond James & Associates, Inc.
Rodman & Renshaw, Inc.
R. Rowland & Co. Incorporated
Seidler Amdec Securities Inc.
Southwest Securities, Inc.
Starr Securities, Inc.
Swergold, Chefitz & Sinsabaugh, Inc.
Van Kasper & Company
Vereins- und Westbank Aktiengesellschaft
M M Warburg-Brinckmann, Wirtz & Co.
Wedbush, Noble, Cooke, Inc.

December, 1986

UK COMPANY NEWS

Industrial rents aid Peel's progress to £3.8m

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Peel Holdings, the Rochdale-based property group best known for retail developments outside towns, yesterday reported a big increase in its interim pre-tax profits and raised its half-time dividend.

Pre-tax profits for the half year to September were £3.8m against £2.4m in the same period of 1985. An interim dividend of 3p a share has been declared, compared with 2.75p at this time last year. Total dividends for 1985-86 were 8.75p.

The shares, which on Monday had moved up 15p to 525p in anticipation of the results, slid back slightly in a quiet market to close at 520p.

But they still trade at a premium to their asset value—unusually for a property company—which has just been established at 500p a share.

Around 80 per cent of the group's profits came from rental income with the rest arising from land sales. The staple income has not, in fact, been from retail rents, but from industrial rents, which in effect have been subsidising the large programme of retail property expansion.

Rental income from retail sites has been coming in at a lower level than the financing charges for expansion. But this should change and Mr John Whittaker, the chairman, said "retail is basically where future growth is going to come from."

This is because, since last September, rent reviews have been taking place on early developments, raising in some cases income from specific sites by up to 40 per cent. The rent reviews, usually once every five years, will now be a continuing process.

The Peel property portfolio is divided roughly equally between the North and South of England, with only a few holdings in the Midlands and East Anglia.

Triplex rises 83% to £0.8m

BY STEPHEN THOMPSON

Triplex, West Midlands-based engineering, foundry operator and building component manufacturer, yesterday announced interim pre-tax profits for the six months to September 30 up 83 per cent to £807,000 and a return to the interim dividend list after a seven-year absence. The company is paying an interim dividend of 0.75p a share.

In the first half last year Triplex made pre-tax profits of £440,000. Turnover in this year's first half rose 43.7 per cent to £19.7m from £13.71m.

Mr Lewis Robertson, chairman, said second-half profits would show an improvement, although less markedly than the previous year because of the wider spread of turnover and earnings.

The sharp rise in profits reflected a strong performance by the building components division where profits rose by 72 per cent to £326,000 on more-than-doubled sales of £9.7m, and engineering where increased turnover and margins boosted profits by 17 per cent to £268,000. An excellent performance by the automated foundry was partly masked by the cost of restructuring the company's smaller non-ferrous unit.

Plysu advances to £2.7m midterm

Plysu, manufacturers of plastic containers, domestic wares and protective clothing, increased its pre-tax profit from £2.3m to £2.7m in the 28 weeks ended October 11, 1986.

The directors stated that demand for most of the company's containers continued to grow with particular emphasis on the lightweight milk and juice bottles.

Extra capacity would be necessary to meet anticipated demand in 1987 and this would be achieved by greater production efficiency at Woburn Sands and later by the opening of the company's new factory in the North of England.

The company said it looked forward to maintaining the current rate of progress.

Turnover in the period was up from £18.33m to £19.52m with UK containers showing an improvement from £13.15m to £13.76m; housewares rose from £3.08m to £3.15m and others from £535,000 to £550,000, but sales in Holland were down from £2.57m to £2.06m.

Tax charged was £945,000 (£920,000) leaving net attributable profits of £1.76m (£1.38m) and earnings per share of 4.86p (3.82p). The interim dividend is raised from the equivalent of 0.53p to 0.65p per share.

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APPOINTMENTS

Save and Prosper finance director

Mr Tony Doggart is to become finance director of SAVE & PROSPER GROUP on January 1. **Mr Paul Bateman** will succeed him as chairman of Save & Prosper Sales, and remain executive director in charge of product development and marketing. **Mr John Perceval** will succeed Mr Doggart as chairman of Save & Prosper Financial Services.

Mr Ian Horsfield and **Mr Ian Lindsey** are to become executive directors of SAVE & PROSPER GROUP on January 1. Mr Horsfield is manager of information services and Mr Lindsey is general manager responsible for the high interest bank account services.

★

MICROGEN, a subsidiary of Microgen Holdings, has appointed **Mr Ian Martin** to the board as director —UK operations—with special responsibility for its four operating divisions.

★

Mr Peter Welch joins JEYES as a non-executive director skilled in corporate finance and overseas operations, and **Mr Martin Bromley** becomes general sales manager. Both join the board of Jeyes Holdings.

★

Mr Ron Amy will join BARCLAYS de ZOETE WEDD INVESTMENT MANAGEMENT on January 1 as a director principally concerned with business development. Mr Amy is curently group pensions manager at Metal Box.

★

Mr Ron Wordley, managing director of HTV, has decided to retire next year. The new managing director will be **Mr Patrick Dromgoole,** assistant managing director since 1980. He will take over from Mr Wordley on April 1.

★

Mr Giovanni Theodoli-Braschi will be joining COUNTY NATWEST CAPITAL MARKETS as director in charge of marketing to southern Europe, including Italy and Spain. He will also be a director of County Group, management company of NatWest Investment Bank. Mr Theodoli-Braschi, an Italian national, is currently an executive director of Citicorp Investment Bank.

★

Mr Jonathan Pearson has been appointed managing director of STANDARD CHARTERED MERCHANT BANK ASIA.

★

Mr Bob Wilmer has been appointed acting managing director of UNITED TRANSPORT PASSENGER SERVICES, operating subsidiary responsible for United Transport International's UK minibus projects. The first UTPS minibus subsidiary established following deregulation comences operation in south Manchester in January. United Transport is a BET company.

★

From Janoary 1 **Captain Olav Hauge,** managing director of the Norwegian firm of Kristian Jebsen Rederi (liner division) joins the board of LYNDOE (HOLDINGS). **Mr Alan Taylor** has resigned from the board.

★

SUN LIFE GROUP has appointed **Mr Clive F. Williams** to the new post of general manager (business development).

★

Miss Kate Howells, specification manager, and **Mr Alan Green,** company accountant, directors of DIA-NORM (UK).

★

Mr C. E. Maunsell will be joining the board of WILLIAM BAIRD as an executive director on January 5. Mr Maunsell, who will remain non-executive chair- have been appointed executive man of Letheby and Christopher, will be responsible for the group's overseas manufacturing activities.

★

ACCO EUROPE has appointed **Mr Gary Trussler** as president.

★

Mr Peter Coward, group technical director of ROCKWARE GLASS, is handing over his role of managing director of Rockware Portland to concentrate on group technical responsibilities. The post will be taken up on January 1 by **Mr Brian Webb,** who will combine it with his recent appointment as managing director of the Knottingley region.

★

Mr D. W. Graves has joined E. W. PAYNE as managing director of the claims division. He was managing director of London Markel Reinsurance Services, part of the CNA Group.

★

Mr John V. Burke and **Dr Hugh McCorquodale** have been elected to the board of GLAXO HOLDINGS, and of its subsidiary Glaxo Group, from January 1. Mr Burke joined Glaxo in 1985 as managing director of Glaxo Pharmaceuticals. Dr McCorquodale was, until recently, managing director of Glaxochem where he has been succeeded by **Dr Joe Blaker.**

★

BLENHEIM EXHIBITIONS has appointed **Mr Stephen Halstead** as a non-executive director. He is managing director of PKD.

★

MYSON GROUP has appointed **Mr Colin Scott,** a senior executive, to the board from January 1.

★

CAMBRIDGE COMMUNICATION, has appointed **Dr Michael Turton** as managing director. He joined the Saatchi and Saatchi subsidiary in July as a director.

★

Two directors have joined the PHICOM board from Shandon Group, its life sciences division—**Mr Stuart Swindon,** group managing director and **Mr Colin Kimber,** group financial director.

★

Ms Lisa Spiro and **Mr Bill Grandy** have been appointed directors of CHARLES BARKER CITY. **Ms Laura Carr** and **Mr Peter d'Aguilar** become assistant directors.

★

SEQUENT COMPUTER SYSTEMS has appointed **Mr Michael Simon** to the newly-created post of vice-president of marketing.

★

BAIN DAWES has formed a personal accident and benefits division, which will also specialise in tax efficient life related investment packages for expatriates. **Mr Nigel Howard-Jones** has been appointed managing director. The chairman is **Mr Derek Prince,** deputy chairman of Bain Dawes. **Mr Brian Pearce, Mr Robert Edgar** and **Mr Fred Reeve** become directors.

★

Mr L. J. Phelps, deputy chief representative in Europe of the RESERVE BANK OF AUSTRALIA is returning to Australia. His successor is **Mr K. M. Hall.**

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FT COMMERCIAL LAW REPORTS

Bank can pay against letters of credit

TUKAN TIMBER LTD v BARCLAYS BANK PLC

Queen's Bench Division (Commercial Court): Mr Justice Hirst: November 25 1986.

A BANK will only be ordered not to pay against a letter of credit if there is clear evidence of fraud, and though the signatures on previous credits may have been forged the court will not restrain the bank from paying against future credits if it is improbable that there will be further forgeries.

Mr Justice Hirst so held when refusing an application by Tukan Timber Ltd for an injunction to restrain Barclays Bank plc from paying to the beneficiaries of a letter of credit any advances against receipts purportedly countersigned by Tukan's directors.

HIS LORDSHIP said that Tukan had two directors, Mr Franklin and Mr Gathorne-Hardy. Since 1982 Tukan had imported timber from Brazil. Tukan had paid for the timber by letters of credit opened at Barclays with Brazilian company, Unitrade or since early 1985, Unibanco Trading SA, as beneficiaries.

Tukan's affidavit evidence was that as the business developed and expanded, Tukan proposed the implementation of an umbrella credit, providing an advance facility which could be used by Unitrade if it presented a simple signed receipt bearing the countersignature of either Mr Franklin or Mr Gathorne-Hardy.

The "red clause" denoting the advance facility began to be used in early 1985. Between October and December 1985 Unitrade ceased to trade in its own right and was taken over by/merged with Unibanco Trading.

Mr Franklin testified to threats in 1985 and 1986 by Mr Fernando Mascarinas, the general manager of Unibanco Trading, to draw on the red clause in a letter of credit by using receipts Unibanco Trading already held bearing the signatures of Mr Franklin and/or Mr Gathorne-Hardy.

He stated that in May 1986 he went to Brazil and had meetings with Unibanco Trading and its parent company, Unibanco, and that in order to put pressure on Tukan Mr Mascarinas stated they were in possession of 16 signed receipts.

Mr Franklin said that copies were asked for but were not forthcoming. Negotiations broke down. That was followed by a telex in which Mr Mascarinas threatened that Unibanco Trading would draw on all letters of credit.

Tukan consulted its solicitors and kept Barclays informed. In September 1986 it cancelled all existing red clause letters of credit and substituted a new one, changing the signatures. Mr Franklin's signature, which had originally been "J M Franklin," was altered to "Jonathan Franklin."

The beneficiary under the new letter of credit was Unibanco Trading. The red clause stated "advances are available under this credit against the beneficiaries' simple receipt countersigned by Jonathan Franklin or Hugh Gathorne-Hardy."

Mr Franklin visited Brazil again in September 1986. During the visit he was handed a blank Unitrade invoice purportedly bearing his and Mr Gathorne-Hardy's signatures. Mr Franklin and Mr Gathorne-Hardy both testified that the signatures were forgeries.

On November 7 1986 Barclays was presented with a demand for an advance on a letter of credit supported by a purported receipt on a printed document with "Unitrade SA" at the head of it, and dated "San Paulo, October 14 1986." At the foot there was a purported signature "J M Franklin." Mr Franklin testified it was a forgery.

Barclays declined to honour the demand because Mr Franklin's signature was in its old form, and the name at the top of the receipt was Unitrade, not Unibanco Trading. On November 12, Tukan telexed Mr Mascarinas asserting the forgery and seeking an assurance that there would be no repetition. No reply had been received.

On November 24, Barclays received a further demand from Unibanco. The receipt required careful scrutiny. At the top was the heading "Unitrade SA," but that had been lightly deleted on the second receipt and in its place was inserted "Unibanco Trading SA." It was dated San Paulo, October 14 1986, the identical date to that on the first receipt. At the bottom was the purported signature "JM Franklin." Mr Franklin had testified it was a forgery.

Tukan applied for an injunction to restrain Barclays from paying any advances against a simple receipt purportedly countersigned by Mr Franklin or Mr Gathorne-Hardy. Barclays strongly resisted any suggestion that it should be inhibited by court order from honouring its proper obligations under the letter of credit. It said the reputation of Barclays depended on strict compliance with its obligations.

It was clearly established by the authorities that a letter of credit was autonomous, that the bank was not concerned in any way with the merits or demerits of the underlying transaction, and only in extremely exceptional circumstances should the court interfere with the honouring of a letter of credit. Only if the bank had notice of a clear fraud committed by the beneficiary was the court entitled to interfere (*see Edward Owen [1978] 1 QB 159*).

Mr Gruder for Tukan fully recognised and accepted those very stringent limitations, but he submitted that he had surmounted them in the present case. In support of his submission he relied on *United Trading Corporation [1985] 2 Lloyd's Rep 554*.

There the court said that if it considered on the material before it that the only realistic inference was fraud, a sufficient case of fraud was made out. While accepting that letters of credit were part of the essential machinery of international commerce, it said "It cannot be in the interests of international commerce or the banking community as a whole that this important machinery . . . for traders should be misused for the purposes of fraud."

Mr Gruder submitted that having regard to the uncontradicted evidence of Mr Franklin and Mr Gathorne-Hardy as to the forgeries, fraud was established on both receipts and the only realistic inference was that Unibanco could not honestly have believed in the validity of the demands.

Mr Jarvis replied that fraud was not proved with the necessary degree of clarity. He relied on the fact that a letter from Tukan to Barclays dated July 17 1986 expressed concern that a number of blank pieces of writing paper bearing Mr Franklin's signature, signed before 1983, had been presented to Unibanco Trading, whereas in his affidavit Mr Franklin confirmed that no such documents had been signed.

That self-contradiction, said Mr Jarvis, was suspicious.

Though the point did cast a small shadow over Tukan's case in general, it still left the basic case on fraud intact.

Here was a document which (1) was stamped over with Unibanco Trading as the new company name, a change which only occurred in December 1984, long after any possible signatures in 1983 of the suggested blank documents; (2) bore the same date as the first rejected receipt; (3) sought to get round the difficulty of the first receipt by the over-stamping, and by the inserted reference to Unibanco Trading.

That seemed a manifestly crude and plainly dishonest attempt to get round the difficulties encountered with the first receipt. The only realistic inference was that Unibanco *could not honestly have believed* the document was valid, and that was known to the bank.

If, therefore, Barclays was intending to honour the red clause in the letter of credit on the strength of the second receipt, it would have been one of those very rare cases wherein the strict burden of proof was satisfied.

But Barclays was not going to pay on the second receipt. What was in issue was whether Tukan had proved, with the high burden resting on it, that a further demand would be made on the strength of a further fraudulent receipt bearing Mr Franklin's signature in its new form.

That was a fatal difficulty to Tukan. It was much more probable that Unibanco and/or Unibanco Trading, having been twice bitten, would be thrice shy, particularly as they would then have to produce a different signature for Mr Franklin.

Thus Tukan failed to clear the first hurdle. Had it successfully surmounted it the court would, in the exercise of its discretion, have refused the order sought, applying *Cynanamid* principles *[1975] AC396*. If Barclays were to pay on a further receipt and it turned out it should not have done, Tukan would have a cast-iron claim for damages which Barclays was in a position to meet. On the other hand, having regard to the great importance to Barclays of honouring letters of credit, the damage to it would be uncompensatable if it was subsequently held that the injunction should not have been granted.

The application was refused.

For Tukan: Jeffrey Gruder (Wedlake Bell).

For Barclays: J. M. Jarvis and R. S. Salter (Durrant Piesse).

Rachel Davies
Barrister

Prices of executive life in different lands

BY MICHAEL DIXON

IF YOU went to work abroad, how much more or less would it cost to maintain the living standard you are used to at home?

That question is thrown at the Jobs column at least 100 times a year. Unfortunately, as readers who have asked it have discovered, the answer is always: "It depends."

For the individual considering taking an expatriate post, one major problem is obtaining tolerably reliable information on costs overseas which is independent of data provided by the prospective employer.

While many consultancies produce surveys, they charge a lot for them even if they make them available to individuals at all—which some do not. An example is the Employment Conditions Abroad consultancy which works as a trade association, keeping watch on worldwide living costs on behalf of international organisations which subscribe to it.

Another difficulty arises because, regardless of where you may be going, one of the most important variables of course is whether the perks of the job include heavily if not totally subsidised accommodation, electricity, transport etc. And as big employers of expatriates usually award such perks to managers and high-rank specialists at least, the prices of housing and so on are often omitted from studies of international living costs.

The ECA consultancy again provides an example. Although its latest study, published today, covers 70 countries it relates only to the prices of food, drink and tobacco, household durables, clothing, services like dry-cleaning, and motorists' running costs. Anyone wanting full details of the survey should contact Barry Rodin at Anchor House, 15, Britten St, London SW3 3TY; telephone 01-351 7151, telex 299751 Eureca G.

Stated broadly, its message for British executive-types is that they have lately done pretty well for purchasing power. At the same time as their average pay has been rising ahead of their country's rate of inflation, the UK has been becoming one of the developed world's cheapest places for buying consumer items of the kinds described. Whereas in 1980 it was the 47th most expensive of the 70 countries covered by the ECA survey, it has now fallen to 60th place.

Even so, as the table above shows, not only are UK executives in general still paid less than their counterparts in most comparable countries, but their spending on consumer items takes up a bigger share of their salaries.

The table starts by taking executives doing similar work—for example, running a function such as marketing in a medium-sized operation — in each of seven countries. It then gives, in terms of sterling at the exchange rates ruling last September, the gross salaries they typically receive when working in their homeland. As you see, the British manager on £21,000 is the lowest paid but one.

When that executive is working in the UK, consumer spending takes up £7,050 of the £21,000 salary. The cost to the Brit of maintaining the same pattern of expenditure on such items would be £9,236 in the US, £13,959 in Switzerland, £9,447 in Holland, £10,787 in West Germany, £10,716 in France, £7,121 in Australia and, were the manager to be transferred to Japan, £20,375.

The table similarly shows the costs to the counterpart executives of the remaining six nationalities of keeping up their customary consumer-spending patterns at home and in the other seven countries.

Nationality of typical middle-rank manager*	Gross salary in home country £	Cost of keeping up "home" pattern of spending on consumer goods in: UK £	US £	Switzerland £	Netherlands £	West Germany £	France £	Australia £	Japan £
British	21,000	7,050	9,236	13,959	9,447	10,787	10,716	7,121	20,375
American	44,000	11,334	10,900	18,530	13,298	14,388	14,388	9,483	27,032
Swiss	56,400	8,946	10,224	14,200	10,450	11,644	11,644	7,952	22,578
Dutch	35,400	7,068	8,208	12,312	7,600	9,500	9,196	6,308	18,240
West German	44,400	8,815	10,105	14,943	10,428	10,750	11,503	7,848	22,145
French	35,050	9,350	10,470	15,730	10,890	11,990	11,000	8,830	23,210
Australian	20,750	8,060	8,610	13,454	9,424	10,416	10,230	6,200	29,212

* Responsible for function such as marketing in medium-sized company.

The individual patterns vary of course. The most lavish spender is the American who at home lays out the equivalent of £10,900 on such items. But that rich style of living takes up under a quarter of the US salary of 44,000, whereas the share absorbed by the Brit's more modest style is over a third. The corresponding shares for the other nationalities are the French 31 per cent, Australian 30, Swiss 25, West German 24, and the Dutch 22 per cent.

Doing well

AS THIS is the last Jobs column before the new year, I will follow tradition and end it with a cheering tale. But the circumstances which gave rise to today's example looked the opposite of cheering just before Christmas two years ago.

At that time, although he did not know it, the young man in the story was about to be sacked from his first job as a sales assistant with a London department store. He had talked himself into it after lazing through formal education to emerge with little or no success in the public examinations.

While it was not idleness that he was sacked for, he had treated work as he had treated school. When he did not feel like it, he did not go. His bosses at the store explained that though he worked well when there, he wasn't there enough.

His response was to quit London and return to his family home in Dorset. After a few months on the dole he then found work through former school friends as what he called "a self-employed civil engineer." That meant he was one of a gang of free-lance navvies, going around the country selling their muscles on construction sites. But early this summer the contract work disappeared and he was on the dole again.

Then his eldest brother, who heads the marketing for an employment agency, offered him a two-week stint in London canvassing potential customers by telephone. He took the offer and achieved half as much again as anyone expected, not least because he streamlined the system of working.

The chief executive of the agency was so impressed that he brought forward a plan to expand by taking over a relatively unsuccessful agency outside London and developing it. Just after his 20th birthday the young man found himself single-handedly running the marketing for the new acquisition, and he has since gone from strength to strength.

So much so that his chief recently told him that the plan was soon to take over another agency somewhere else and make him the business spearhead there.

"But who'll replace me here?" he asked.

"That's your problem," the chief replied. "You'll have to find your own successor."

"I know what I'll do," said the young man—who happens to be called James Dixon. "I'll ring up my old school and ask to be put in touch with people who've failed their exams."

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Company Notices

Tokyo Pacific Holdings N.V.

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NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN

NITTO BOSEKI CO., LTD

EDR holders are informed that Nitto Boseki has paid a dividend to holders of record April 30, 1986. The cash dividend payable is Yen 5.5 per Common Stock of Yen 50.00 per share. Pursuant to the Terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.

EDR holders may now present Coupon No. 6 for payment to the undermentioned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after December 31, 1986. Amounts payable in respect of current dividends.

Coupon No. 6 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1,000 shares	$34.16	$29.05	$27.34

Depositary:
Citibank, N.A.
336 Strand, London WC2R 1HB

Agent:
Citicorp Investment Bank (Luxembourg) S.A.
16 Avenue Marie Therese

December 17, 1986.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN

SHARP CORPORATION

Further to our notice of September 16, 1986 EDR holders are informed that Sharp Corporation has paid a Dividend to holders of record September 30, 1986. The cash dividend payable is Yen 6.5 per Common Stock of Yen 90.00 per share. Pursuant to the Terms and Conditions the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.

EDR holders may now present Coupon No. 11 for payment to the undermentioned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A.R. of Egypt	F.R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after April 30, 1986.

Amounts payable in respect of current dividends.

Coupon No. 11 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
1,000 shares	$34.16	$29.05	$27.34

Depositary:
Citibank, N.A.
336 Strand, London WC2R 1HB

Agent:
Citicorp Investment Bank (Luxembourg) S.A.
16 Avenue Marie Therese

December 17, 1986.

NOTICE TO BONDHOLDERS
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NOTICE IS HEREBY GIVEN that a drawing of the above mentioned Bonds was conducted by the Central Bank of Ireland, Dublin on the 6th to the 11th November, 1986 inclusive when Bonds amounting to Stg. £562,900 were drawn for redemption at par on 1st January, 1987 from which date interest will cease to be payable thereon.

Particulars of the draw numbers of the Bonds drawn have been published in the Supplement of "Iris Oifigiuil" on the 9th December, 1986 which may be obtained from the Government Publications Sale Office, Sun Alliance House, Molesworth Street, Dublin 2 or through any bookseller. Copies of the Supplement will be supplied to the Stock Exchanges in Dublin, London and Manchester and may also be inspected at the Irish Embassy, 17 Grosvenor Place, London, SW1.

Bondholders concerned are being advised by the Central Bank of Ireland and are being supplied with forms of application for the principal moneys payable.

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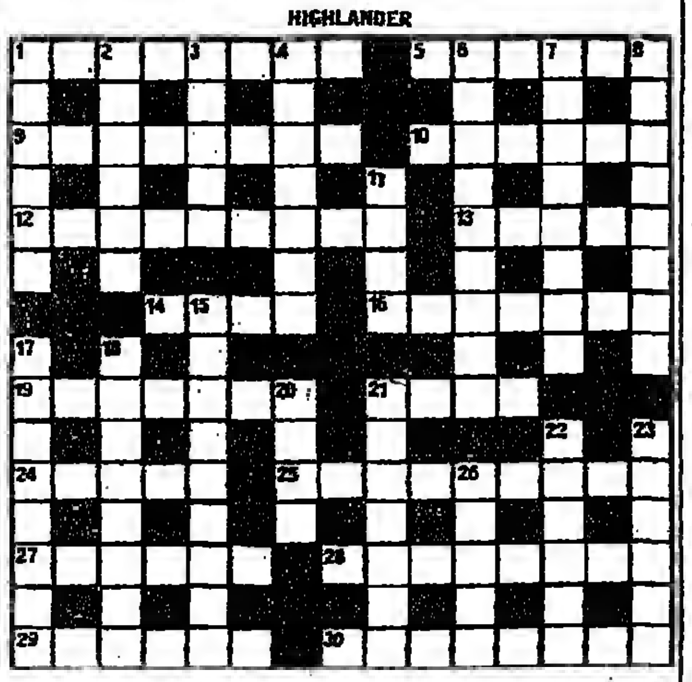


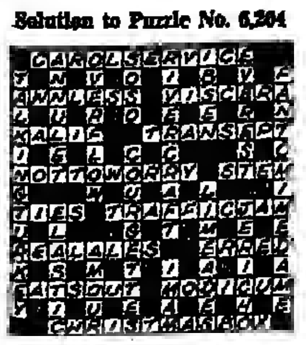
ACROSS

1 Make a mess of food left behind the night before (8)
5 Way of getting round youth with a lot of bottle? (6)
9 Good point about dislike for chemical salt (6)
10 Send up two articles exposing foreign country (6)
12 Charges at, in order to break in (4-5)
13 To unearth robbers, pounding the beat is essential (5)
14 Made advances, religiously observed (4)
16 Book covering part of Africa (7)
19 One includes on it a poisonous substance (7)
21 Not all the lines (4)
24 Animal that's put outside is bad-tempered (5)
25 Point to a case that's suggestive (9)
27 Later, at the appointed hour (2,4)
28 Reserved for turning in (8)
29 Current charge for buttonhole (6)
30 Turn over to state alleged source of poison (8)

DOWN

1 Condescend to include son in plan (6)
2 Welcome as backing instrument (6)
3 One caught following the wrong principle (5)
4 Concentrate more on court (7)
6 Libertine could become leader. True? Pointless! (9)
7 Public row over waterway; several put their oar in (4,4)
8 Almanac is a long time in order (8)
11 A border indicates a clearing (4)
15 Gable-end is primed for new skin (9)
17 Sailor returns to The Rock to build church (8)
18 Charming Italian given almost complete mark of approval (8)
20 Unruffled in spite of uniform (4)
21 Throw stick out (7)
22 One family in two swim in it (6)
23 Some left shivering in class (6)
26 Team takes nothing in before lunch; that's the principle (5)

Solution to Puzzle No. 6,204



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UK Equity Acc	93.5	98.4	+0.3	—
Alpha Range—Pensions				
Managed Acc	97.8	103.5	-0.1	—
Premier Range				
Managed Acc—Life	108.2	113.9	+0.4	—
Managed Acc—Pensions	109.6	115.3	+0.6	—

Other unit prices available from American Life

Baltic Assurance Funds
27, Chiswell St, London, EC1Y 4TY 01-374 6801

Managed Growth	255.29	268.62	-0.22	—
Managed Income	112.48	114.70	+0.14	—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Black Horse Life Ass. Co Ltd
346a High St, Chatham 0634 405161

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

Equity Fd (A&B) Dec 10	258.5	272.5		—
Fixed Int (A&B) Dec 10	164.0	173.0		—
Man Growth A&B Dec 10	511.0	599.0		—
Money Fd (A&B) Dec 10	142.5	150.5		—
Cap Fd A&B Nov 15	410.0		+10.0	—
G&I Sec Fd A&B Nov 15	149.0		+1.0	—
Far East Eqty A&B Dec 10	187.5	197.5		—
N Amer Eqty A&B Dec 10	106.0	112.0		—
Int Technol A&B Dec 10	155.5	164.0		—
Property (A&B) Dec 10	197.5	208.0		—

Credit & Commerce Life Ass. Ltd
74 Shepherds Bush Green, W12 8SD 01-740 7070

Life Funds				
UK Equity	143.0	150.5	-0.4	—
American Equity	124.6	131.4		—
Far East Equity	171.4	180.6		—
Managed Fund Acc	371.0	391.0		—
International Equity	186.5	196.7	-2.9	
Gilt Edged	183.2	193.2	+2.3	
Money Fund	144.9	152.8	+0.1	
CCL Henderson	161.6	170.6	-0.4	—
CCL Perpetual	202.1	213.3	-2.0	—
CCL Property	229.8	242.4	+0.3	—
Smaller Cos	254.6	268.5	+0.6	—
Perpetual Eurogrowth	117.2	123.6		—
CCL Hend'sn Prime Res	97.6	102.9		—

Criterion Assurance Group
Swan Court, Petersfield, Hants 0730 63281

Ultimate Mngd Fund	173.0	182.2		—
Criterion Mngd Fund	166.1	174.8		—
Pension Mngd Cap	52.4	55.2		—
Pension Mngd Acc	61.8	65.1		—
Pension G'nteed Dep Ac	34.7	36.5		—

For closed Fund unit prices ring 0730 63281

Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW 04862 5033

Life Funds				
American Acc	100.5	105.8	-0.5	—
Equity Acc	379.6	399.5	+1.3	—
European Acc	183.7	193.4	-0.8	—
Fixed Interest Acc	212.4	223.5	-0.2	—
High Income Acc	362.2	381.3	+1.7	—
Int'l Acc	345.6	363.8	-2.0	—
Inv. Trust Acc	416.9	438.8	-0.6	—
Japanese Acc	167.0	175.8	-1.4	—
Managed Acc	314.6	331.1	+0.1	—
Money Acc	179.7	189.1		—
Property Acc	186.6	196.4	+0.1	—
Individual Pension Funds(z)				
American	117.5	123.6		—
Equity	383.5	403.6		—

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

Money Market Bank Accounts

NOTES

TRADITIONAL OPTIONS

3-month call rates

COMMODITIES AND AGRICULTURE

Australia drops plan to tax gold companies

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA'S Labor Government, bowing to political and economic pressure, announced yesterday that it would not impose its planned tax on the income of gold mining companies.

The decision, made by the Cabinet this week and revealed last night, followed weeks of internal argument and is seen as a defeat for Mr Paul Keating, the country's tax-reforming Treasurer.

The effect is to leave gold mining companies in their long-standing position of tax advantage compared with other companies, presumably to encourage further their recent rapid growth and stimulate gold output.

Australian gold production has rocketed in recent years, from less than 20 tonnes five years ago to an estimate of more than 80 tonnes in the current year.

Driving this growth has been a firmer world bullion price and, more importantly, a much higher Australian dollar price for gold as a result of the currency's substantial depreciation since early 1985.

This price, at around A$600 (US$396 a troy ounce), is now roughly double typical production costs. The Australian dollar is now worth 66 US cents, down from 83 cents at the end of 1984. At one point earlier this year the currency touched 57 US cents.

Significantly, yesterday's decision came in the wake of an independent inquiry by Senator Gerald Gutman which was thought to have re-affirmed support for a gold mining tax. Mr Gutman began his inquiry last year and is believed to have reported to the Government in August.

Since then, however, large and small mining companies have stepped up their campaign against the tax, saying it would stunt the growth of an industry which, unlike other mining sectors currently, could contribute significantly to remedying Australia's serious balance of payments problems.

Pressure has also come from Mr Brian Burke, Labor Premier of the state of Western Australia, where many new companies are exploring for gold.

An added factor has been concern about a number of constituencies in gold mining areas where electoral support for the Labor Government might be at risk. About two dozen constituencies are thought to be involved. A national election is not due for more than a year, however.

According to a joint statement yesterday from Mr Keating and Senator Gareth Evans, Minister for Resources and Energy, the decision focused mainly on economic considerations.

Moscow buys more Canadian wheat

By Bernard Simon in Winnipeg

THE SOVIET Union has sharply increased purchases of Canadian wheat despite the availability of heavily subsidised US grain.

Mr Esmond Jarvis, the Chief Commissioner of the Canadian Wheat Board, said that after a slow start early this season, sales to the Soviet Union have risen rapidly. Although no commitments have been made beyond next March, one grain trader predicted that total Soviet purchases from Canada this season will significantly exceed last year's 6m tonnes.

The Soviets' apparent reluctance to buy significant quantities of grain from the US in recent months has puzzled international traders. Washington angered other grain exporters earlier this year by offering sales to the Soviet Union in its generous export enhancement programme.

Reflecting Canada's determination to maintain market share in the face of heavy US and European community subsidies, Mr Jarvis said that the Wheat Board is more concerned at low prices than at Canada's market penetration. Canada accounted for 17 per cent of world wheat exports last year, making it the second biggest exporter after the US.

Total exports in the current season, ending July 31, are expected to be between 27m and 29m tonnes, compared with 24m last year.

Besides matching competitors' prices the Canadians have indicated a willingness to push up farm subsidies, which have hitherto been much lower than those offered in the US and EEC. The Federal Government has announced cash payments to farmers totalling C$1bn (£506m) and is expected to make up a sizable deficiency in grain pool accounts at the end of this season.

Mr Jarvis said that the Board's main concern at present is that the US is "using less discretion" in the selection of foreign markets for subsidised exports.

Brussels reform package gets to grips with milk problem

BY TIM DICKSON IN BRUSSELS

AS THE champagne corks popped inside the EEC Farm Council chamber in Brussels last night, experts were trying to assess the implications of what, by any standards, is an historic set of CAP reforms. Essentially the final package has four separate but closely inter-related elements: a series of measures to cut EEC milk production by 9½ per cent over the next two years, softened with a commitment to pay substantial compensation; a significant cut in the guaranteed EEC support price paid for beef, with increased premium payments; green currency devaluations for five member states, including Britain and France, which will mean increases in domestic farm prices and will particularly please British beef and French lamb producers; and a commitment to a structural programme—details of which have yet to be worked out—which will include encouragement for early retirement and less intensive farming.

On milk the Ministers expect to achieve the 2 per cent quota cut already agreed in April through the existing voluntary cessation scheme but with compensation topped up from Ecu 4 per 100 kg to Ecu 6 per 100 kg. A further 4 per cent will come through temporary suspension of quotas from next April with compensation at Ecu 10 per 100 kg (guaranteed for two years) and the possibility of further sums paid by member states taking the total up to Ecu 12.5 per 100 kg. An additional 2½ per cent will be achieved in 1988-89 through a combination of the above methods.

The rate of the "superlevy" on overproduction will be increased to 100 per cent for both the current systems of assessments—expected to contribute a further 1 per cent—but contrary to the European Commission's hopes the Ministers have for the moment insisted on keeping the present arrangements for transferring unused quotas between dairies.

The Commission's original ideas for suspending "intervention" purchases of butter have also been considerably toned down, largely to please the Irish and the West Germans. Intervention for skimmed milk powder will be suspended during the winter months (September 1 to February 28), on the understanding that the Commission "takes measures to maintain the stability of the market." But modifications to the existing permanent intervention arrangements for butter and skimmed milk powder during the summer will not be sanctioned until before the end of February and then only if they are accompanied by "alternative measures which would have the effect of reducing the volume of intervention purchases while at the same time safeguarding the stability of the market."

Moreover, the Council has instructed the Commission to note the "unique dependence" of Ireland upon the dairy sector, especially in relation to intervention.

On beef, the Commission's ideas have been modified so that from next April to end 1988 intervention will only apply when the Community average market price is below 91 per cent of the corresponding intervention price and the national average market price is below 87 per cent of the same yardstick.

From next April the EEC's contribution to the suckler cow premium will be increased from Ecu 15 to Ecu 25 while a new temporary premium of Ecu 50 payable on male animals raised to maturity up to a limit of 50 head per farm will be introduced. Britain's variable premium remains—an issue to which Mr John Gummer, Britain's Junior Farm Minister, said he attached great significance.

The green currency devaluations are: 6 per cent on UK beef and veal, 3.2 per cent on UK sheepmeat, 4.8 per cent on French beef and veal and 3.85 on sheepmeat, 6 per cent on Portuguese sheepmeat, 14.5 per cent on Greek sheepmeat and 3.2 per cent on Spanish sheepmeat.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,340-2,420 (2,360-2,430).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.15-2.30 (2.15-2.25).

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.87-0.92 (same), sticks, 0.87-0.92 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.15-6.35 (6.15-6.45).

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 158-168 (160-175).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.05-3.10 (same).

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.80-5.10 (4.90-5.20).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 31-45 (same).

VANADIUM: European Free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.48-2.53 (same).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00 (same).

Irish farmers see deal as 'disaster'

BY HUGH CARNEGY IN DUBLIN

FARM ORGANISATIONS in Ireland, expected to be among the hardest-hit EEC countries as a result of yesterday's agreement.

Officials used words like "disaster" to describe the package despite special concessions to Ireland worth around I£40m (£37.8m).

The Government said, however, that with the special compensations it contained for Ireland, it represented the best that could be expected from what was regarded in Dublin as the most far-reaching reform of the Common Agricultural Policy since Ireland joined the Community in 1973, in a large part to avail of the advantages it offered Irish farmers.

Beef and dairying play a far greater role in the Irish economy than in most community countries. It was because of this that Mr Austin Deasy, the Irish Agriculture Minister, struggled to win concessions for Dublin in the marathon talks. With a general election possibly only weeks away, he now faces the difficult task of persuading the powerful farm lobby that he did the best he could.

Farming accounts for around 11.5 per cent of gross domestic product, compared with an average of less than four per cent, and one third of exports. Some 35 per cent of employment in the country is agriculture-related.

● In Britain, the National Farmers' Union attacked the milk and beef measures but expressed modest satisfaction at the green pound devaluation. Mr Simon Gourlay, NFU president, said the dairy package would have "a severe impact" on the industry, while the beef plan would cut beef producers' returns by between £50 and £60 per animal.

The challenges facing EEC fish ministers

BY TIM DICKSON IN BRUSSELS

"THE TOTAL cost of the EEC's Common Fisheries Policy (CFP) is about as much as the CAP consumes in an afternoon," one slightly jaundiced observer recently, with only a touch of hyperbole.

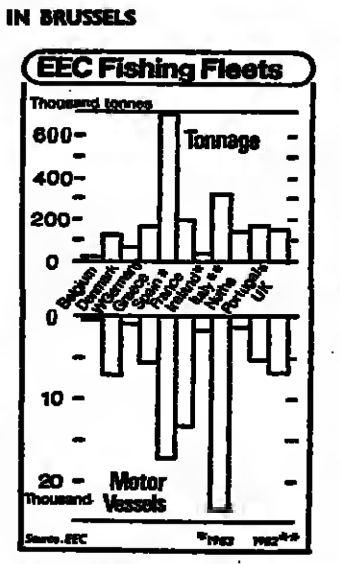
But while it is true that the Ecu 160m budgeted for the CFP in 1986 compares with the huge Ecu 23bn of projected spending on agriculture this year, the problems of the Community's fishing fleet have recently become much more significant than the bald figures would suggest.

The main reason has been the accession to the Community of Spain and Portugal at the beginning of this year—at a stroke doubling the number of fishermen in the EEC and increasing by 65-70 per cent the tonnage of the EEC fleet.

At the same time the depletion of fish stocks which first became acute in the early 1970s has given rise to a new emphasis on conservation just when the fleets of almost all member states are already suffering from severe overcapacity.

As the Community's Fish Ministers meet in Brussels today under the chairmanship of an exhausted Mr Michael Jopling (also President of the EEC Farm Council), they will nevertheless be able to look back with considerable satisfaction at the achievements of the last few months. In September, for example, they agreed important new conservation measures notably tighter mesh sizes for certain species and new arrangements for taking some of the pressure off the overfished West European coastal zone (an important "nursery" for plaice and sole).

In November they approved new plans to give the European Commission inspection greater powers for enforcing EEC quotas and widened the responsibility of member states to clamp down on offenders. Finally just two weeks ago the EEC Fish Council voted through an important Ecu 800m "structural" package — including money for fleet renewal and fish farming—aimed at improving and adapting EEC vessels over the next five years to the choppy waters that appear to lie ahead.



Discussions today and tomorrow on the sensitive questions of the total annual catches (TACs) for threatened species and the quotas for certain fish represent the last major hurdles in what has been a remarkably successful British Presidency on the fish issue thus far.

The Commission proposals on TACs are already known and clearly reflect the conservationists' concern. Deep cuts in quotas are suggested for most of the so-called demersal (deep water) species, with quotas for the pelagic species, such as herring and sprat, either maintained or slightly increased. In the case of cod, the reduction is expected to be about 16 per cent for the Community overall, although in the North Sea and Norwegian zones the decrease will be even greater.

The scope for serious objections to the overall totals by member states would appear to be limited since last year they specifically committed themselves to closely following the advice of scientific experts. The Commission's proposal has been set with guidance from the International Council for the Exploration of the Sea and the Scientific and Technical Committee for Fisheries.

The Spanish and the Portuguese are nevertheless expected to complain bitterly about the proposed quotas for monkfish, langoustine and pollack — species which were brought into the CFP following the accession to the Community of the two Iberian countries. The 1987 TACs have been based on what are thought to be incomplete figures for the 1986 catch provided by Madrid and Lisbon.

West German opposition has also been aroused by a proposal to stop fishing in an area of the German Bight in the first and last quarters of each year. This is designed to preserve cod stocks in the North Sea.

Significantly the Commission has also for the first time set a 20,000-tonne cod quota in part of the Norwegian sector which was the subject of a flare-up earlier this year. This is seen in Brussels as a significant act of "self restraint" and a gesture to the Norwegians in Oslo. A bilateral agreement between Norway and the EEC is expected to be ratified this week.

On guide prices, the two most sensitive proposals concern herring and tuna. The CFP was designed to provide a limited "safety net" for fish producers but the sharp fall in the world price over the last 18 months has left the EEC with a potentially expensive commitment in the tuna regime.

The Commission has longer term plans to change the rules but in the meantime has been taken to the European Court by the French, who claim that they have not received sufficient compensation. France also remains unhappy about the British Presidency's compromise plan for a 10 per cent, rather than the original 15 per cent, cut in the tuna price.

Given Mr Jopling's perseverence with his colleagues in the Farm Council, such difficulties should be overcome sooner or later. Longer term, however, the fundamental imbalance in the Community between fish resources and fleet capacity is a political challenge that will not go away.

LONDON MARKETS

THE RECENT weakness of the world sugar market continued yesterday with Monday's announcement of cuts in US import quotas adding to the bearish sentiment. In the morning the London daily raws price was fixed $5 lower at $147 a tonne and on the London futures market nearby positions added three or four dollars to Monday's $7 falls. The main feature of the London Metal Exchange was the lead market, which saw the cash position reverse Monday's decline with a £15 rise to £374.50 a tonne—a two-year high. The rise reflects a general heightening of bullish sentiment which was reinforced by "influential forward buying," dealers said. They saw a cash price of £400 a tonne before the end of the year as the speculators' immediate target. Meanwhile the slide in nickel values continued with cash metal's £12.50 fall to £2,470 a tonne taking the sequence of falls to six trading days and the aggregate decline to £272.50 a tonne. Dealers said fund selling following a brief rally in the morning sparked off heavy liquidation.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	790-1	−1	792/791
3 months	803.5-4	−8	808/804

Official closing (am): Cash 790-1 (794-5): three months 804-4.5 (806-7): settlement 791 (795). Final Kerb Close: 803.5-804. Turnover: 10,750 tonnes.

COPPER

Grade A	Unoffic'l close	+ or −	High/Low
Cash	933-4	+1	933/932
3 months	952.5-3	+1	954/951.5

Official closing (am): Cash 932-2.5 (932-2.5): three months 951.5-2 (950-50.5): settlement 932.5 (932.5). Final Kerb Close: 951.5-952.

Standard			
Cash	900.5-1	−2.75	—
3 months	929.5-30	....	—

Official closing (am): Cash 900-2 (904-5): three months 928-30.1 (928-9): settlement 902 (905). US Producer prices 62.75/66 cents per pound. Total turnover: 42650 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	374-5	+15	375/369
3 months	334.5-5	+9.5	336/325

Official closing (am): Cash 371.5-2.5 (360-1); three months 330-0.5 (325.25-5.5); settlement 372.5 (361); Final Kerb Close: 334.5-335. Turnover: 25700 tonnes. US Spot: 24/29 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2465-75	−12.5	—
3 months	2525-9	−13	2555/2505

Official closing (am): Cash 2485-90 (2473-5); three months 2550-5 (2530-5); settlement 2490 (2475). Final Kerb Close: 2530-2535. Turnover: 3708 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	546-7	+8	546/545
3 months	540-1	+5.25	540.5/537

Official closing (am): Cash 546-7 (542.5-3); three months 538-8.5 (538-9); settlement 547 (543). Final Kerb Close: 538-539.5. Turnover: 7375 tonnes. US Prime Western: 44/47.75 cents per pound.

TIN

KUALA LUMPUR TIN MARKET: Close 18.25 (18.29) ringgit per kg. Down 0.4 ringgit per kg.

GOLD

Gold was hardly changed in the London bullion market yesterday, closing just $¼ down from Monday's close at $393¾-$394¼. The metal opened at $393¾-$394¼ as well and traded in a very narrow range in dull and featureless trading. It touched a high of $394¼-$395⅛ and a low of $393-$393½.

GOLD BULLION (fine ounce) Dec. 16		
Close	$393¾-394¼	(£275-275½)
Opening	$393¾-394¼	(£274½-275)
M'n'g fix	$393.70	(£274.547)
Aft'n'n fix	$393.10	(£274.705)

GOLD AND PLATINUM COINS		
Am Eagle	$406½-411½	(£284¼-287¾)
Mapleleaf	$402¾-407	(£281¾-284½)
Kr'g'r'nd	$393-398	(£274¾-277)
½ Krug	$1200-201	(£169¾-140½)
¼ Krug	$101-102	(£70½-71¼)
Angel	$402½-406½	(£281½-285½)
1/10 Angel	$40½-45½	(£28¼-31¾)
New Sov	$92-95	(£64¼-66½)
Old Sov	$95½-95	(£66¼-66½)
$ 20 Eagle	440-490	(£307¾-342¾)
Noble Plat	$503-518	(£361¾-358¾)

SILVER

Silver was fixed 0.9p an ounce lower for spot delivery in the London bullion market yesterday at 378.9p. US cent equivalents of the fixing levels were: spot 543.5c, down 1.1c; three-month 551.2c, down 1.15c; six-month 559.3c, down 0.85c; and 12-month 575.4c, down 0.75c. The metal opened at 380-381½p (545-547c) and closed at 380½-382p (546-547c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	378.90p	−0.90	380.70p	−0.25
3 months	388.65p	−1.05	391.25p	−0.25
6 months	399.05p	−0.90	—	—
12 months	419.65p	−1.05	—	—

LME—Turnover: 4 (4) lots of 10,000 oz.

Three months high 390.0p, low 390p, final kerb 389-91p.

RUBBER

PHYSICALS—The market opened slightly steadier and attracted little interest at close quietly steady, reports Lewis and Peat. Closing prices (buyers): Spot 64.50p (same): Jan 62.50p (same): Feb 62.75p (same). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 218.5 (217.5) and SMR 20 198 (197.5).

INDICES

REUTERS

Dec. 16	Dec. 15	M'th ago	Year ago
1657.2	1658.2	1608.1	1778.9

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Dec. 16	Dec. 15	M'th ago	Year ago
Spot	117.18	117.15	—	122.19
Fut	116.09	116.17	—	128.20

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 16 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1120/1140	+5	$1136/1220
Copper			
Cash Grade A	£933.5	+1	£909.75
3 mths	£953.75	+1	£933.75
Gold Troy oz	$394	−0.25	$391.25
Lead Cash	£374.5	+15	£286.75
3 mths	£334.75	+9.5	£290.25
Nickel			
Free Mkt	161/181c		166/186c
Palladium oz	$116.75	−0.5	$118.75
Platinum oz	$469.80	−5.75	$489.05
Quicksilver†	$155/160		$160/170
Silver troy oz	378.90p	−0.90	391.55p
3 mths	388.65p	−1.60	402.50p
Tin			
Free Mkt	£4470/4520	−10	£4408/4480
Tungsten	$47.64		$46.98
Wolfram 22.04lb	$47/50		$52/49
Zinc	£546.5	+8	£572.2
3 mths	£540.5	+5.25	£560.5
producers	$870		$890
OILS			
Coconut (Phil)	$385z		$370
Palm Malayan	$282.5u	+7.5	$310
SEEDS			
Copra (Phil)	$250	—	$250
Soyabean (U.S.)	$146	−9	$152
GRAINS			
Barley Fut. Mar.	£114.30	+0.35	£111.85
Maize	£143.50	....	£143.00
Wheat Fut. Mar.	£115.10	+0.40	£110.65
No. 2 Hard Wint.	‡	—	‡
OTHERS			
Cocoa Ft. Mar.	£1431.5	−4.5	£1511.5
Coffee Ft. Mar.	£1767.5	+8	£1970.5
Cotton A Ind.*	50.00c	+0.15	52.85c
Gas Oil Feb.	$135.25	−4.75	$134.25
Rubber (kilo)	64.5p	+0.75	63.5p
Sugar (raw)	$147x	−5	$147.5
Wooltops 64s	427p kilo	+2	425p kilo

In tonnes unless otherwise stated. ‡ Unquoted. † Per 75 lb flask. c Cents a pound. * Cotton outlook. x Jan-Feb. z Dec-Jan. u Jan. w Feb. y Feb-Mar.

COFFEE

Apart from further liquidation selling pressure against the January position, Robusta futures experienced another quiet day, reports Drexel Burnham Lambert. Prices remained within the recent trading range as traders awaited announcements concerning export policy by Brazil and Colombia for 1987.

COFFEE	Yesterday's close	+ or −	Business Done
Jan	1845-50	−16.5	1875-1830
Mar	1785-90	+9.0	1805-1771
May	1803-05	+9.0	1815-1780
July	1825-30	+5.0	1840-1817
Sept	1846-56	−7.5	1870-1850
Nov	1865-85	+5.0	1890-1875
Jan	1870-00	+5.0	—

Sales: 3,884 (5,130) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for December 15: Comp. daily 1979 130.71 (130.01): 15-day average 136.56 (137.06).

COCOA

Futures traded listlessly in a near repetition of the previous day's session. Manufacturer interest in actuals was muted and producers remained sidelined, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business Done
Dec	1402-1404	+2.0	1404-1386
March	1431-1432	−4.5	1435-1428
May	1457-1458	−4.5	1468-1454
July	1481-1483	−2.5	1485-1479
Sept	1503-1504	−2.5	1506-1501
Dec	1531-1532	−2.5	1532-1531
March	1558-1559	−4.0	1558-1554

Sales: 1,764 (2,163) lots of 10 tonnes.

ICCO indicator prices. Daily price for December 16: 88.92 (88.32): five-day average for December 17: 89.18 (89.06) US cents per pound. Daily price 1636.11 (1639.95): 10-day average 1635.12 (1634.25) SDRs per tonne.

POTATOES

Following a week close on Monday on the back of a bearish PMB report, the market opened down and continued to slide, seeing profit-taking at various levels on a drop to £145.50. Short-covering and profit-taking saw buyers emerging towards the close, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	106.00	107.00	108.50-106.00
Apr	150.50	149.70	151.50-145.50
May	169.00	168.50	169.60-165.00
Nov	86.20	88.00	87.00
Feb	97.00	98.00	—

Sales: 2,065 (1,136) lots of 40 tonnes.

GRAINS

Old crop markets steadied with volume influenced by large January/March crossed trade. New crops followed stronger country markets to close fractionally steadier, reports T. G. Roddick.

WHEAT			BARLEY	
Mnth	Yesterday's close	+ or −	Yest'rdy's close	+ or −
Jan	110.55	+0.40	111.60	—
Mar	115.10	+0.40	114.30	+0.25
May	115.80	+0.50	114.95	+0.35
July	117.85	+0.45	—	—
Sep	101.45	—	100.75	—
Nov	103.50	—	103.80	+0.05
Jan	106.50	—	106.35	—

Business done—Wheat: Jan 110.35-10.00, Mar 113.15-2.80, May 115.45-5.20, July 117.45, Sept 101.45, Nov 103.50-3.40, Jan untraded. Sales: 578 lots of 100 tonnes. Barley: Jan 111.50-1.40, Mar 114.30-4.05, May 114.60, Sept untraded, Nov 103.60-3.50, Jan untraded. Sales: 160 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Jan 108.00, Feb 107.25, Mar 108.00. French 11½-12 per cent Dec 140.50. English feed fob Jan 114.75/115.00, Feb 116.00/116.50, Jan/Mar 115.75/116.50 buyer/sellers, April/June 118.00 buyer. Maize: US no 3 yellow/French transhipment east coast Dec 143.50. Barley: English feed fob Jan 118.00 buyer English, 116.50/115.00 buyer/sellers English/Scottish, Feb 117.00 buyer English.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 111.10, N. West 109.20. The UK monetary coefficient for the week beginning Monday December 22 (based on HGCA calculations using five days' exchange rates) is expected to change to 1.254.

SOYABEAN MEAL

Prices moved lower on a weaker cash market and commercial selling. Option hedge buying and outright option call buying was also evident, reports Muirpace.

	Y'sterd'ys close £ per tonne	+ or −	Business done
Feb	127.5-128.5	−0.40	—
April	127.5-127.8	−0.75	—
June	124.5-124.8	−0.25	124.5
August	125.0-125.5	−0.50	125.5
October	125.0-126.5	−0.25	125.0
Dec	126.0-126.5	−0.25	126.0

Sales: 380 (29) lots of 20 tonnes.

US MARKETS

TRADING WAS featureless as markets participants seemed to be preparing for the Christmas holiday, reports Heinold. Gold, silver and platinum futures were all slightly lower in quiet activity. Bearish influences were a stronger US dollar and lower Opec related energy futures. Coffee futures were mostly lower in quiet trading as the March contract vacillated just above the four-day support around 140.00c. Colombian registrations for January had reopened and there were 700,000 bags slated for export in January. From this 355,000 were set for export to the US and Colombia had formulated a new pricing and buyer protection policy. Rumours in the market had implied that Colombian prices would remain unchanged or be slightly lower for January registrations. Sugar futures were lower as commission houses sold persistently on the market's bearish technical picture. Technically the market looks particularly vulnerable and several commission houses were attempting to take the March contract to the life-of-contract lows of 5.83c.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb	Close	High	Low	Prev
Dec	49.75	—	—	49.90
Jan	49.95	—	—	50.10
Feb	50.15	—	—	50.40
March	50.40	50.70	50.40	50.70
May	50.65	—	—	50.90
July	50.95	50.95	50.95	51.10
Sept	51.15	—	—	51.30
Dec	51.35	—	—	51.45
Jan	51.55	—	—	51.65
March	51.70	—	—	51.75

COCOA 10 tonnes, $/tonne	Close	High	Low	Prev
March	1866	1868	1848	1869
May	1896	1896	1880	1897
July	1918	1918	1907	1910
Sept	1940	1936	1936	1934
Dec	1960	1960	1966	1966
March	1985	1980	1980	1980

COFFEE "C" 37,500 lb, cents/lb	Close	High	Low	Prev
Dec	137.43	139.00	136.80	138.00
March	140.58	141.40	139.90	141.03
May	141.47	141.60	140.40	141.08
July	141.79	142.19	140.75	141.88
Sept	142.25	143.00	141.75	142.63
Dec	152.00	144.00	144.00	142.50
March	142.25	—	—	142.86
May	142.75	—	—	143.65

COPPER 25,000 lb, cents/lb	Close	High	Low	Prev
Dec	59.95	60.30	59.95	60.10
Jan	59.90	60.20	60.20	60.05
Feb	60.25	—	—	60.40
March	60.55	60.85	60.50	60.70
May	61.15	61.40	61.05	61.30
July	61.50	61.80	61.50	61.65
Sept	61.80	61.80	61.80	61.95
Dec	62.30	—	—	62.45
Jan	62.55	—	—	62.70
March	62.85	62.95	62.95	62.95

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels	Latest	High	Low	Prev
Jan	16.12	16.35	16.00	16.36
Feb	16.14	16.52	16.18	16.58
March	16.53	16.71	15.25	16.68
April	16.52	16.70	16.30	16.66
May	16.50	16.65	16.45	16.64
June	16.45	16.64	16.45	16.62
July	16.55	16.60	16.45	16.60
August	16.48	16.53	16.48	16.58
Sept	16.64	16.64	16.64	16.56
Oct	16.65	—	—	16.54

GOLD 100 troy oz, $/troy oz	Close	High	Low	Prev
Dec	393.2	395.0	392.0	395.5
Jan	394.8	—	—	396.9
Feb	396.3	398.6	393.6	398.4
April	399.6	402.7	397.2	401.9
June	403.1	405.5	400.5	405.3
August	406.4	407.9	408.0	408.6
Oct	409.6	411.9	411.0	411.8
Dec	413.1	414.8	411.0	415.3
Feb	418.7	417.0	417.0	419.0
June	424.5	—	—	426.8
Oct	409.6	411.0	411.0	411.0

HEATING OIL 42,000 US gallons, cents/US gallons	Latest	High	Low	Prev
Jan	46.70	46.75	46.50	46.44
Feb	46.55	47.60	46.18	47.32
March	45.80	46.60	45.60	46.11
April	44.80	45.45	44.35	44.80
May	43.90	44.35	43.25	43.65
June	43.35	43.50	42.50	43.18
July	43.00	43.25	42.50	43.20
August	43.60	43.60	43.60	43.95
Sept	44.20	44.40	44.20	44.96

COTTON 50,000 lb, cents/lb	Close	High	Low	Prev
March	56.70	56.90	56.65	56.65
May	56.95	57.10	56.50	56.30
July	56.45	57.40	56.31	56.99
Oct	56.62	57.80	56.65	57.20
Dec	56.70	57.70	56.70	57.40
March	57.65	58.00	58.00	57.75
May	57.50	—	—	58.15

ORANGE JUICE 15,000 lb, cents/lb	Close	High	Low	Prev
Jan	130.65	131.60	128.60	127.90
March	132.45	132.50	130.30	129.95
May	133.90	134.00	131.30	131.00
July	134.25	132.50	133.00	132.20
Sept	134.90	—	—	132.90
Jan	134.25	134.50	133.00	133.95

PLATINUM 50 troy oz, $/troy oz	Close	High	Low	Prev
Dec	486.9	482.0	484.0	482.6
Jan	487.7	486.0	482.0	493.7
April	491.7	488.5	486.3	497.9
July	495.6	502.0	498.0	501.7
Jan	509.9	505.0	508.0	510.0

SILVER 5,000 troy oz, cents/troy oz	Close	High	Low	Prev
Dec	535.3	546.0	532.0	546.6
Jan	538.0	543.0	537.0	551.0
Feb	540.8	547.0	547.0	552.4
March	543.0	555.5	538.0	556.0
May	548.4	562.0	547.0	561.6
July	554.1	568.0	550.5	572.2
Sept	560.0	574.0	571.0	578.2
Dec	568.8	581.0	568.0	582.2
Jan	571.2	586.6	585.5	588.3
March	577.8	590.0	590.0	591.6

SUGAR WORLD "11" 112,000 lb, cents/lb	Close	High	Low	Prev
Jan	5.31	5.32	5.30	5.53
March	6.04	6.20	5.98	6.25
May	6.22	6.38	6.20	6.44
July	6.43	6.54	6.38	6.59
Sept	6.48	6.53	6.53	6.63
Oct	6.66	6.90	6.65	6.83
Jan	6.76	—	—	6.93

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb	Close	High	Low	Prev
Dec	58.65	58.90	58.20	58.40
Feb	56.86	56.85	56.35	56.45
April	57.02	57.12	56.55	56.75
June	56.52	56.60	56.20	56.20
Aug	55.45	55.60	55.30	55.27

LIVE HOGS 30,000 lb, cents/lb	Close	High	Low	Prev
Dec	54.02	54.17	53.90	54.17
Feb	50.60	50.70	49.87	50.32
April	45.55	45.70	44.82	45.42
June	47.50	47.50	46.82	47.12
July	47.17	47.20	46.57	47.05
Aug	44.22	44.55	44.00	44.20
Oct	41.00	41.05	40.80	40.90
Dec	41.42	41.80	41.25	41.80

MAIZE 5,000 bu min, cents/56 lb-bushel	Close	High	Low	Prev
Dec	154.2	155.4	154.0	154.2
March	166.0	166.4	165.6	165.6
May	172.2	173.0	172.0	172.0
July	175.8	176.2	175.2	176.6
Sept	179.2	179.8	178.8	179.0
Dec	183.4	183.8	187.4	183.2
March	191.2	191.2	190.0	190.4

PORK BELLIES 38,000 lb, cents/lb	Close	High	Low	Prev
Feb	68.10	69.40	68.00	68.52
March	68.10	68.55	67.30	67.65
May	68.77	68.80	67.70	68.27
July	66.86	66.90	66.00	66.07
Aug	64.17	64.27	63.10	63.67

SOYABEANS 5,000 bu min, cents/60 lb-bushel	Close	High	Low	Prev
Jan	488.0	488.2	486.2	487.2
March	491.0	491.4	488.0	488.6
May	484.4	484.6	481.4	483.0
July	486.4	487.0	484.8	486.0
Aug	486.0	486.2	484.8	484.4
Sept	460.4	460.4	489.0	489.2
Nov	482.0	482.0	480.2	480.4
Jan	500.0	—	487.4	497.0

SOYABEAN MEAL 100 tons, $/ton	Close	High	Low	Prev
Dec	143.7	144.8	143.3	144.6
Jan	143.1	144.0	142.8	142.9
March	143.0	143.8	142.7	141.7
May	143.4	144.0	143.0	143.9
July	143.6	144.1	143.2	144.1
Aug	143.6	144.3	143.3	144.1
Sept	144.3	144.5	144.0	144.8
Dec	145.5	146.6	145.5	146.0

SOYABEAN OIL 60,000 lb, cents/lb	Close	High	Low	Prev
Dec	15.21	15.24	15.04	15.04
Jan	15.29	15.34	15.11	15.06
March	15.58	15.84	15.43	15.38
May	15.87	15.95	15.73	15.68
July	16.05	16.11	15.92	15.87
Aug	16.08	16.08	15.90	15.90
Sept	16.06	16.06	15.95	15.98
Oct	15.91	15.93	15.88	15.75
Dec	16.00	16.00	16.00	15.80
Jan	15.95	15.90	16.00	15.86

WHEAT 5,000 bu min, cents/60 lb-bushel	Close	High	Low	Prev
Dec	279.5	282.4	279.0	282.4
March	276.8	278.0	276.4	277.2
May	261.6	263.6	261.4	263.6
July	246.0	246.2	243.6	244.4
Sept	245.0	247.6	245.0	247.4
Dec	250.0	250.0	250.0	252.4

SPOT PRICES—Chicago loose lard 14.00 (same) cents per pound. Handy and Harman silver bullion 545.9 (547.0) cents per troy ounce.

OIL

Crude trade was confined to forward Brent. February Brent opened close to $18.50 but came off 40-50c by early afternoon and thereafter traded uncertainly in response to reports from Geneva. January WTI opened 25c down on Nymex and traded in a 35c range to trade 12c down at 1.30 pm EST. In the petroleum products market prompt gas/oil was unchanged over the day but forward gas/oil and prompt naphtha fell as bullish feeling over an Opec outcome evaporated. Gasoline firmed on slightly more active talk. Fuel oil continued to firm—Petroleum Argus. London.

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Jan.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	14.70-14.80	—
Brent Blend	15.85-16.95	−0.18
W.T.I. (1pm est)	16.15-16.25	−0.18
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	145-160	+9
Gas Oil	126-128	—
Heavy fuel oil	81-83	+1.5
Naphtha	125-128	−1.5

Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yest'rdy's close US $ per tonne	+ or −	Business Done
Jan	131.00	−4.00	138.00-30.50
Feb	135.25	−3.75	138.00-34.75
Mar	135.50	−4.00	138.25-35.50
Apr	134.00	−0.50	135.00-34.00
May	132.50	+0.50	132.50
June	133.00	+1.00	133.00

Turnover: 3,743 (4,400) lots of 100 tonnes.

FREIGHT FUTURES

Prices dropped back on rumours from the physical market of lower rates, reports Clarkson Wolff.

Turnover: 129.

	Close	High/Low	Prev.
Dry Cargo			
Jan.	679/684	697/681.5	688/626
April	715/715	725/714	721/722
July	623/624	614	623/624
Oct.	614	716	726/730
Jan.	715/717	710	720/732
Apr.	706/715	770	760/780
July	660/670	—	660/676
Oct.	750	—	720
BFI.	705	—	705

HEAVY FUEL OIL

Month	Yest'rdy's close US $ per tonne	+ or −	Business Done
Jan	83.00	+0.50	—
Feb.	89.00	−1.50	83.00-88.00
Mar.	88.00	−0.76	—

Turnover: 8 (18) lots of 100 tonnes.

SUGAR

The sharp reduction in the US sugar quota for next year took prices to new lows for the move, reports C. Czarnikow.

No. 6 Contract	Yest'rdy close	Previous close	Business done
	$ per tonne		
Mar	156.2-156.4	140.0-140.2	149.0-154.8
May	140.0-141.2	144.0-144.7	144.5-159.8
Aug	145.0-146.2	145.0-146.8	145.4-144.8
Oct	149.2-150.8	152.0-152.8	156.0-158.2
Dec	152.2-156.2	159.0-166.8	—
Mar	165.0-169.0	164.0-168.5	—
May	168.0-172.0	169.0-176.6	—

Sales: 5,288 (4,320) lots of 50 tonnes.

LONDON DAILY PRICE—Raw sugar $147.00 (£102.50), down $5.00 (down £3.50) a tonne for January-February delivery. White sugar $173.00, down $4.00.

Tate and Lyle delivery price for granulated basis sugar was £205.50 (£209.00) a tonne for export.

PARIS—(FFr per tonne): Mar 1152/1154, May 1192/1195, Aug 1232/1237, Oct 1265/1270, Dec 1290/1310, Mar 1340/1355.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for December 16: Daily price 5.48 (5.75): 15-day average 6.43 (5.94).

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 93.28p per kg lw (−4.35). GB—Sheep 217.28p per kg est dcw (−0.13). GB—Pigs 75.86p per kg lw (−0.98).

Crown Suppliers name adviser

MR DEWI W. JONES, a former Esso director of procurement, has been appointed by The Crown Suppliers to support Mr Routh, controller designate in examining ways to improve the efficiency of the organisation.

A consortium of Coopers Lybrand, management consultants, and Samuel Montagu, merchant bank, has been appointed by the Property Services Agency to carry out feasibility study into the possible privatisation.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar trades quietly firmer

THE DOLLAR improved slightly from Monday's levels in currency markets yesterday but remained within its recent trading range. Proximity of Christmas and the New Year ensured that turnover was kept to a minimum. Consequently a 1.8 per cent fall in US housing starts was largely ignored. A trickle of corporate demand helped the US unit to break through the DM 2.02 levels to touch a high of DM 2.0255 but it eased back during the afternoon to finish at DM 2.0185 compared with DM 2.0180 on Monday.

Rumours continued of some sort of currency accord between the US and West Germany, following a visit to West Germany by Mr James Baker, US Treasury Secretary. However there was little incentive to do anything before the year end and the dollar closed at Y163.65 from Y163.25 against the yen and SFr 1.7050 from SFr 1.7000. Against the French franc it finished at FFr 6.61 from FFr 6.6125. On Bank of England figures, the dollar's exchange rate index rose to 111.3 from 111.0.

STERLING — Trading range against the dollar in 1986 is 1.5585 to 1.3700. November average 1.4258. Exchange rate index 68.8 against 69.0 at the opening and 68.9 on Monday. The six months ago figure was 73.7.

Sterling opened on a firmer note, underpinned by hopes of a swift outcome of the latest meeting of Opec. Calls for a cut in production and higher prices boosted sentiment but this failed to keep the pound firm during the afternoon. A lack of volume meant that movements tended to erratic and influenced by relatively small orders.

During the morning the Treasury announced a PSBR figure for November of £56m, well below expectations of a figure nearer £1bn. The pound closed at $1.4300 from $1.4325 and was slightly weaker against the D-Mark at DM 2.8875 compared with DM 2.8900. It was also weaker against the French franc at FFr 9.4525 from FFr 9.4725 but rose to Y234.25 from Y233.75 and SFr 2.4375 from SFr 2.4330.

D-MARK—Trading range against the dollar in 1986 is 2.4718 to 1.9800. November average 2.0227. Exchange rate index 142.8 against 136.4 six months ago.

Trading was quiet and featureless in Frankfurt. The dollar finished in the middle of the day's range at DM 2.0190 compared with DM 2.0145 on Monday. During the day it broke through the DM 2.02 level to touch a high of DM 2.0255 but there was insufficient follow through to maintain the US unit above this level. Speculation about the possibility of some agreement between US and West German authorities on currency rates gave the dollar an early lift but there was still an incentive to open fresh positions before the New Year.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.55. November average 162.77. Exchange rate index 204.0 against 208.7 six months ago.

The yen lost ground against the dollar in Tokyo. The US unit was underpinned by continued year end demand, rising to Y163.70 from Y163.40 in New York and Y163.25 in Tokyo on Monday. Despite the dollar's firmer trend, there was sufficient impetus to push it out of its recent trading range. Once again trading volume tended to fall away during the afternoon because of the proximity of Christmas and the New Year.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.3791	+0.62	+1.15	±1.5368
Danish Krone	7.81701	7.87901	+0.79	+1.30	±1.6403
German D-Mark	2.11083	2.08533	−1.21	+0.70	±1.1127
French Franc	6.87316	6.82758	−0.66	−0.15	±1.3659
Dutch Guilder	2.37833	2.35674	−0.91	−0.40	±1.5059
Irish Punt	0.764976	0.764697	−0.04	+0.47	±1.6483
Italian Lira	1476.95	1444.94	−2.17	−1.96	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Dec. 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4285-1.4355	1.4295-1.4305	0.59-0.56c pm	4.83	1.68-1.63 pm	4.63
Canada	1.9720-1.9810	1.9720-1.9730	0.55-0.45c pm	3.04	1.30-1.15 pm	2.48
Netherlands	3.26-3.28	3.26-3.27	1½-1¼c pm	5.28	4⅛-3⅞pm	4.90
Belgium	60.00-60.40	60.00-60.10	24-19c pm	4.30	56-47pm	3.43
Denmark	10.90¾-10.97¼	10.90¾-10.91¾	2⅛-1½ore pm	1.99	3⅞-2⅞pm	1.19
Ireland	1.0590-1.0660	1.0615-1.0625	0.20-0.30p dis	−2.82	0.33-0.48 dis	−1.53
W. Germany	2.88¼-2.90¼	2.88¼-2.89¼	1⅝-1½ pf pm	6.49	4½-4¼ pm	6.06
Portugal	213.75-215.70	214.20-215.10	90-125 c dis	−6.00	210-325 dis	−4.98
Spain	194.00-194.65	194.00-194.65	8-25 c dis	−1.02	36-83 dis	−1.22
Italy	1997¼-2014¼	1999½-2000½	2pm-1 lire dis	0.30	5 pm-1 dis	0.20
Norway	10.85-10.92	10.85-10.86	5⅜-6¼ ore dis	−6.43	15¾-16½ dis	−5.92
France	9.44½-9.51	9.44½-9.45½	2⅝-2¼ c pm	3.09	5⅝-4⅞ pm	2.17
Sweden	9.95¼-10.00¼	9.95-9.96	1½-1¼ore pm	1.73	3½-2⅞ pm	1.28
Japan	233¼-235	233¾-234¼	1½-1¼ y pm	7.38	5¾-5⅛ pm	4.52
Austria	20.30-20.41	20.35-20.38	9½-8 gro pm	5.16	27⅞-25¼ pm	5.19
Switzerland	2.43¾-2.44½	2.43¾-2.44¾	1⅝-1⅛ c pm	7.08	4⅝-4 pm	6.67

Belgian rate is for convertible francs. Financial franc 60.45-60.55. Six-month forward dollar 3.35-3.30 c pm. 12-month 6.50-6.40 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Dec. 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4285-1.4355	1.4295-1.4305	0.59-0.56c pm	4.83	1.68-1.63 pm	4.63
Ireland†	1.3455-1.3510	1.3480-1.3490	1.05-0.70c pm	7.80	2.70-2.20 pm	7.28
Canada	1.3790-1.3806	1.3790-1.3800	0.23-0.26c dis	−2.12	0.73-0.78 dis	−2.18
Netherlands	2.2790-2.2890	2.2830-2.2840	0.07-0.05c pm	0.32	0.13-0.09 pm	0.19
Belgium	41.95-42.15	41.95-42.05	1½-3½c dis	−0.71	11-15 dis	−1.24
Denmark	7.62¼-7.65¼	7.62½-7.63	1.75-2.50ore dis	−3.34	5.90-6.75 dis	−3.31
W. Germany	2.0160-2.0255	2.0180-2.0190	0.28-0.25pf pm	1.57	0.72-0.66 pm	1.35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.25-42.35.

£ IN NEW YORK

Dec 16	Close	Previous close
£ Spot	1.4300-1.4310	1.4320-1.4330
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Dec. 16	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Dec. 16	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for Dec. 15: 1.65619

CURRENCY MOVEMENTS

December 16	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Dec. 16	£	$
[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Dec. 16	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years 6⅞-6⅝ per cent; three years 6⅞-7 per cent; four years 7⅛-7⅜ per cent; five years 7⅜-7⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec. 16	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

London stays quiet and steady

THERE WAS little reaction to the lower than expected UK public sector borrowing requirement of £56m in November. The London money market remained quiet and steady, with three-month interbank unchanged at 11¼-11⅛ per cent.

The Bank of England forecast a money market shortage of £500m and provided total help of £446m. Before lunch the authorities bought £271m bills outright by way of £31m bank bills in band 1 at 10⅞ per cent; £102m bank bills in band 2 at 10⅞ per cent; £50m bank bills in band 3 at 10¾ per cent; and £88m bank bills in band 4 at 10⅞ per cent.

UK clearing bank base lending rate 11 per cent since October 15

In the afternoon the Bank of England purchased another £163m bills outright, through £26m bank bills in band 1 at 10⅞ per cent; £91m bank bills in band 2 at 10⅞ per cent; £12m local authority bills in band 4 at 10⅞ per cent; and £34m bank bills in band 4 at 10⅞ per cent.

Late assistance of around £15m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £424m. Liquidity also suffered from a seasonal rise in the note circulation draining £225m. These outweighed Exchequer transactions adding £125m to liquidity and bank balances above target of £30m.

In Paris the Bank of France made the second cut in two days in its seven-day repurchase rate and call money rate. Both rates were raised about a week ago in response to the student riots in Paris and the resulting pressure on the franc against the D-mark in the European Monetary System. The seven-day rate was cut by ½ per cent from 8 per cent yesterday, and the call rate to 7⅞-7¾ per cent from 8¼-8⅜ per cent. As tension has lessened on the foreign exchanges the central bank no longer needs to maintain high rates to defend the franc. The Bank of France also intervened to add liquidity to the money market, at a rate of 7¾ per cent, compared with 7 per cent the last time the authorities intervened.

In Frankfurt the Bundesbank accepted bids for DM 4.9bn at yesterday's tender for a 35-day securities repurchase agreement. The accepted rate was 4.65 per cent, and banks bid for a total DM 13.8bn of liquidity.

In Oslo the Norway Central Bank lowered overnight lending rates to commercial and savings banks to 15½ per cent from 16 per cent, reflecting easing pressure on the Norwegian krone.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec. 16) 3 months U.S. dollars / 6 months U.S. dollars

bid	offer	bid	offer
[illegible]	[illegible]	[illegible]	[illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)		Treasury Bills and Bonds	
[illegible]	[illegible]	[illegible]	[illegible]

Dec. 16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Dec. 16	Overnight	7 days notice	Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL FUTURES

Good trading in gilts

LONG TERM gilt futures were particularly active on the London International Financial Futures Exchange yesterday. Total volume of 25,353 contracts was fairly close to recent record levels, and about five times the level of trading at the same time last year, indicating the impact of Big Bang in the City at the end of October. March delivery traded 25,158 contracts. It opened firm at 109-22, reflecting optimism about an agreement by ministers from the Organisation of Petroleum Exporting Countries, meeting in Geneva, on oil production cuts. This initially underpinned the pound, while sentiment was later helped by a much lower than expected November UK public sector borrowing requirement of £56m, compared with forecasts of up to about £1bn. The March contract rose to a peak of 110-08, but was then brought back by profit taking, to close at 109-16, compared with 109-14 previously.

Three-month sterling deposit futures also opened firm at 88.92 for March delivery, and touched a high of 88.94, before declining to close at the day's low of 88.88, as sterling lost ground in late foreign exchange trading. The previous settlement was 88.88. Cash rates on the London money market continued to provide little clue to the future direction of interest rates.

US Treasury bonds for March delivery rose to 98-22 at the opening on Liffe, and traded within a range of 98-19 to 99-05 before closing at 98-28, against 97-31 on Monday. The contract was supported by a larger than forecast fall of 1.8 per cent in November US housing starts, and a Japanese newspaper report that the US and European countries, including West Germany, were negotiating an agreement on interest rates and currency stability.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
100	9.35	9.57	0.01	0.17
102	7.40	8.08	0.08	0.32
104	5.52	6.32	0.20	0.56
106	4.12	5.02	0.44	1.26
108	2.52	3.50	1.20	2.10
110	1.48	2.47	2.16	3.07
112	1.00	1.58	3.32	4.18
114	0.34	1.18	5.02	5.42

Estimated volume total, Calls 621 Puts 1,468
Previous day's open int, Calls 3,516 Puts 6,571

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	8.62	8.56	0.06	0.36
92	7.06	7.06	0.34	0.60
94	5.24	5.29	0.32	1.31
96	3.55	4.11	0.63	2.13
98	2.39	5.07	1.47	3.09
100	1.41	2.16	2.49	4.18
102	0.62	1.37	4.06	5.39
104	0.34	1.04	5.42	7.06

Estimated volume total, Calls 55 Puts 5
Previous day's open int, Calls 790 Puts 418

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Jan.	Puts—Last Dec.	Puts—Last Jan.
15500	8.40	—	0.00	—
15750	5.90	8.89	0.00	0.18
16000	3.47	6.45	0.07	0.45
16250	1.43	4.47	0.53	0.97
16500	0.33	3.04	1.93	1.84
16750	0.06	1.81	4.24	3.11
17000	0.00	0.98	6.60	4.78
17250	0.00	0.48	9.10	6.78

Estimated volume total, Calls 4, Puts 2
Previous day's open int, Calls 635, Puts 371

LIFFE £/$ OPTIONS

Strike Price	Calls—Last				Puts—Last			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS

Strike Price	Calls—Last				Puts—Last			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls—Last				Puts—Last			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE—EURODOLLAR OPTIONS

Strike Price	Calls—Last			Puts—Last		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 87 Vol.	Feb. 87 Last	May 87 Vol.	May 87 Last	Aug. 87 Vol.	Aug. 87 Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NAT. NED. P	FL90	61	7.20	—	—	10	8.50	"
PHILIPS C	FL50	254	0.40	362	1.60	62	2.10	FL44.60
PHILIPS P	FL45	304	1.50	376	3.30	250	4.10	"
ROYAL DUTCH C	FL210	918	4.40	163	9.30	100	11.40	FL211.10
ROYAL DUTCH P	FL210	468	3	34	5.70	3	9	"
ROBECO C	FL95	—	—	13	4	—	—	FL96
UNILEVER C	FL520	173	5	53	25.10	8	32	FL518.50
UNILEVER P	FL500	45	2.80	63	11	—	—	"

TOTAL VOLUME IN CONTRACTS: 43,329

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	11	Citibank NA	11	• Morgan Grenfell	11
Adam & Company	11	Citibank Savings	¶12.45	Mount Credit Corp. Ltd	11
Allied Arab Bk Ltd	11	City Merchants Bank	11	Nat. Bk. of Kuwait	11
Allied Dunbar & Co	11	Clydesdale Bank	11	National Girobank	11
Allied Irish Bank	11	Comm. Bk. N. East	11	Nat Westminster	11
American Exp. Bk.	11	Consolidated Cred.	11	Northern Bank Ltd.	11
Amro Bank	11	Co-operative Bank	*11	Norwich Gen. Trust	11
Henry Ansbacher	11	Cyprus Popular Bk.	11	PK Finans. Intl (UK)	11½
ANZ Banking Group	11	Duncan Lawrie	11	Provincial Trust Ltd	12
Associates Cap Corp	11	E. T. Trust	12	R. Raphael & Sons	11
Banco de Bilbao	11	Equatorial Tst C'p plc	11	Roxburghe G'rantee	11½
Bank Hapoalim	11	Exeter Trust Ltd.	11½	Royal Bk of Scotland	11
Bank Leumi (UK)	11	Financial & Gen. Sec.	11	Royal Trust Bank	11
Bank Credit & Comm	11	First Nat. Fin. Corp.	11½	Standard Chartered	11
Bank of Cyprus	11	First Nat. Sec. Ltd	11½	Trustee Savings Bnk	11
Bank of Ireland	11	• Robert Fleming & Co	11	UDT Mortgage Exp.	¶12.25
Bank of India	11	Robert Fraser & Ptrs	12	United Bk of Kuwait	11
Bank of Scotland	11	Grindlays Bank	‡11	United Mizrahi Bank	11
Banque Belge Ltd.	11	• Guinness Mahon	11	Westpac Banking Corp	11
Barclays Bank	11	HFC Trust & Savings	11	Whiteaway Laidlaw	11½
Benchmark Tst Ltd	11	• Hambro Bank	11	Yorkshire Bank	11
Beneficial Trust Ltd	12	Heritable & Gen. Tst.	11		
Berliner Bank AG	11	• Hill Samuel	§11		
Brit. Bk. of Mid. East	11	C. Hoare & Co	11		
• Brown Shipley	11	Hongkong & Shangh'	11		
CL Bank Nederland	11	Knowsley & Co. Ltd	11½		
Canada Permanent	11	Lloyds Bank	11		
Cayzer Ltd	11	Mase Westpac Ltd.	11		
Cedar Holdings	12	Meghraj & Sons Ltd	11		
• Charterhouse Bank	11	Midland Bank	11		

• Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¾% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102⅞	100⅛	Exch 13¼pc 1987	100⅛	−⅛	13.22	11.26
100½	97⅞	Treas 10½pcCv '87	99⅞	−⅛	10.27	10.98
98⅞	92⅞	Exch 2½pc 1987	98⅞		2.53	8.05
[illegible]	97½	Exch 10½pc 1987	99⅞	+⅛	10.51	10.65
95⅛	93⅜	Funding 6½pc 85-87	98⅛		6.58	9.99
101¾	96⅛	Treas 10pc 1987	99⅛xd	−⅛	10.06	11.26
97⅛	90⅞	Treas 3pc 1987	97xd		3.09	8.54
104⅛	99⅝	Treas 12pc 1987	100⅝	+⅛	11.93	11.17
99⅛	92⅞	Treas 7¾pc 1985-88‡‡	96⅞	−⅛	8.00	10.74
104	95⅝	Exch 10½pc '88	99⅛	+⅛	10.60	11.22
102⅞	95⅛	Treas 9½pc Cv '88	98xd	+⅛	9.95	11.25
95⅛	86⅝	Transport 3pc '78-88	92⅞xd		3.23	8.29
102⅞	93⅞	Treas 9½pc '88	97⅛	+⅛	9.78	11.23
107⅛	98⅛	Treas 11½pc 1989	100⅝	+⅛	11.45	11.24
103⅛	93⅛	Treas 9½pc Cnv 1989	96⅛	+⅛	9.85	11.23
96⅞	87⅞	Treas 3pc 1989	88⅞		3.39	8.34
105⅞	95⅛	Treas 10½pc 1989	98⅞xd	+⅛	10.67	11.26
104⅞	94⅞	Exch 10pc 1989	97⅛		10.30	11.27
107⅞	97	Exch 11pc 1989	99⅛	+⅛	11.06	11.21
93⅞	84⅞	Treas 5pc 1986-89	89⅛		3.61	9.49
110⅞	94⅞	Exch 10½pcCv '89	100⅞		10.17	9.93
114⅞	102⅞	Treas 13pc 1990‡‡	104⅝xd	+⅛	12.43	11.21
108⅞	97⅛	Exch 11pc 1990‡‡	99⅞	+⅛	11.07	11.19
112⅞	101⅞	Exch. 12½pc 1990	103⅞	+⅛	12.08	11.19
89⅛	79⅞	Treas 3pc 1990	84⅞	+⅛	3.56	8.41
103⅞	89⅞	Treas 8¼pc 1987-90‡‡	93xd		8.87	10.71
106⅞	93	Treas 10pcCv 1990	96⅛	+⅛	10.39	11.21
86⅞	75⅞	Exch 2½pc 1990	81⅞	+⅛	3.07	8.15
112⅞	97⅞	Treas 11¾pc 1991	101⅞xd	+⅛	11.54	11.20
94⅛	85⅞	Funding 5¾pc '87-91‡‡	86⅞	−⅛	6.63	9.56
86⅞	74⅞	Treas. 3pc 1991	79⅞	+⅛	3.75	8.56
97⅞	92⅞	Treas 10pc Cv '91	97⅛xd	+⅛	10.28	10.80
110⅞	96⅞	Exch. 11pc 1991	99⅛	+⅛	11.07	11.06
		Five to Fifteen Years				
118⅛	103⅞	Treas 12¾pc 1992‡‡	106⅞xd	+⅛	12.00	11.10
107⅞	92⅞	Treas 10pc 1992	95⅞	+⅛	10.45	11.10
109⅞	94⅞	Treas 10½pc Cv 1992‡‡	97⅞	+⅛	10.75	11.05
117⅞	101⅞	Exch. 12¼pc '92	104⅞	+⅛	11.73	11.16
123⅞	106⅞	Exch 13½pc 1992	109⅞	+⅛	12.34	11.20
108	95⅞	Treas 10pc 1993‡‡	95⅞	+⅛	10.49	11.02
122⅞	103⅞	Treas 12½pc 1993‡‡	106⅞xd	+⅛	11.77	11.17
92	72⅞	Funding 6pc 1993‡‡	82⅞		7.26	9.56

AMERICANS—Cont.

1986 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
37⅛	28⅛	Chemical New York	30⅛xd	−½	$2.60	—	3.8
50⅛	26⅝	Chesebrough-Pond's $1	50⅛		♦$2.08	—	2.8
31⅛	19⅝	Chrysler $6¼	27⅞xd	+⅛	$1.40	—	3.4
42⅛	33⅞	Citicorp $4	38⅛xd	+⅛	$2.46	—	4.4
12⅛	774p	CityFed Fin. Corp.	828p	−9	40c	—	3.5
31⅛	21½	Colgate-Palmolive $1	29⅛	−⅛	$1.36	—	3.2
850p	6⅞	Colt Inds. $1	7⅛		—	—	—
25⅛	16⅞	Cons. Freightways $2.625	22⅛	+⅛	82c	—	2.5
819p	349p	Cont Illinois Corp $1	349pxd		—	—	—
89⅞p	11⅞p	Cont Illinois Hldgs $1	17⅞p		—	—	—
112p	39p	♦Corporate Data Scnce.	97p	+3	—	—	—
13⅛	435p	Cullinet Sftwr $0.1	523p	−21	—	—	—
287p	18p	Damson Oil 40c	23p	+1	—	—	—
25⅛	17⅞	Dana Corp. $1	24⅛	+⅛	$1.28	—	3.5
33⅞	16⅞	Data General	22⅞	+⅛	—	—	—
24⅞p	8⅞p	♦Derma-Lock Medical	11⅞p		—	—	—
79	55⅛	Dun & Bradstreet $1	75⅛		$2.56	—	2.5
55⅛	42⅞	Eaton Corpn. 50c	52⅞	−⅛	$1.60	—	2.1
25⅛	18⅞	FPL Group $0.01	22⅛	−⅛	$2.04	—	6.5
13⅛	625p	Fairmont Financial	10⅛	+⅛	—	—	—
24⅛	16⅞	First Chicago $5	22⅞xd	+⅛	$1.32	—	4.0
42⅛	25⅛	Ford Motor $2	40⅛	+⅛	$2.60	—	4.4
28⅛	20	GATX 62½c	24⅛xd	+⅛	$1.50	—	4.3
61⅞	47⅞	Gen. Elect. $1⅛	59⅞xd	+⅛	$2.52	—	2.9
16⅛	612p	♦General Host Corp $1	977p	−5	22c	—	1.5
42⅛	24	Gillette $1	34⅞	+1⅛	$2.72	—	5.3
15⅛	10	Gt Am First Sags Bk $1	12⅛	−⅛	♦26.7c	—	1.4
32	23⅛	Gt. Western Fin $1	31⅛	+⅛	31.20	—	2.6
25⅛	18½	Greyhound $1.50	23xd	+½	31.26	—	3.7
20⅛	11½	Hasbro Inc $0.50	14⅝	+⅛	9c	—	0.4
57⅛	42	Honeywell $1.50	44⅛		$2.00	—	5.1
28	21⅝	Hospital Corp Am $1	21⅝	−⅛	50c	—	1.6
25⅛	19⅛	Houston Inds Incl	24⅛	−⅛	$2.80	—	7.7
112½	82⅛	IBM Corpn $1.25	88⅞	+⅛	$4.40	—	3.4
19⅛	17⅞	IC Industries	17⅞	−⅛	80c	—	3.2
38⅞	25⅛	ITT Corpn. $1	37⅛		$1.00	—	1.8
314p	141p	♦Imatron Inc	148p		—	—	—
46⅞	34½	Ingersoll-Rand $2	39⅞	−⅛	$2.60	—	4.5
16⅛	12½	Inmco $1	14⅛	+½	$1.00	—	4.0
12⅛	826p	IU Intnl. $1.13	10⅛		60c	—	4.0
40⅛	29⅛	Lockheed Crpn. $1	35⅝	+⅛	$1.00	—	1.9
25⅛	18⅝	Lone Star Inds $1	23xd	+⅛	$1.90	—	3.6
22⅞	15⅛	Louisiana Land $0.15	19⅛	−⅛	$1.00	—	3.5
28	15⅛	Lowe's 50c	28⅛xd	+⅛	40c	—	1.5

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

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COMMONWEALTH & AFRICAN LOANS

LOANS

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Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

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DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's
139	30	Anglo-Dominion	136	-3	—	—	—
42	19½	Anglo Utd	27	.....	—	—	—
80	27	Colby Res Corp.	28	.....	—	—	—
300	115	Cons. Murch. 10c	£2⅞	.....	Q60c	4.4	9.9
44	24	Emoes Int. Ir10p	40	.....	—	—	—
164	70	Greenwich Res	260	-2	—	—	—
157	92	Hampton Areas 10p	347	+2	†1.0	—	1.0
327	165	Highwood Res	217	-3	—	—	—
£20¾	£13¼	Homestake Mining $1	£17⅞	+¼	Q30c	—	0.8
310	156	McFinley Red Lake	200	+5	—	—	—
285	144	Mosto Explorations	174	-1	—	—	—
51	28	New Satans Res C$1	39	.....	—	—	—
353	200	Northgate C$1	303	-6	—	—	—
790	513	RTZ	660	-4	22.0	2.4	4.6
£164	£115	Do. 9½pcLn '95-2000	£130¾	.....	Q9½%	15.5	†7.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed: dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ♯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♠ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- 7 Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- 0 No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60	.....	Fin. 13% 97/02	£98¼	.....
Craig & Rose £1	£15	.....	Arnotts	350	-5
Finlay Pkg. 5p	46	-1	CPI Hldgs	45	.....
Holt (Jos) 25p	810	.....	Carroll Inds.	141	.....
IoM Stm. £1	78	.....	Dublin Gas	10	.....
			Hall (R. & H.)	98	.....
IRISH			Heiton Hldgs.	50	.....
Fund 11¾% 1988	£97¼	.....	Irish Ropes	140	.....
Nat. 9¾% 84/89	£91½	.....	Unidare	275	+3

"Recent Issues" and "Rights" Page 38
(International Edition Page 42)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Glaxo rises strongly ahead of new drug announcement but oils and gilts lack buyers

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Nov 24	Dec 4	Dec 5	Dec 15
Dec 8	Dec 18	Dec 19	Jan 5
Dec 22	Jan 8	Jan 9	Jan 19

* New time dealings may take place from 9.00 am two business days earlier.

The UK securities markets had another hesitant session yesterday, when concern over the lack of news from the OPEC meeting in Geneva was compounded by the sudden dismissal of the chief of Petromin, the State-owned Saudi Arabian oil company. Oil stocks turned easier, and the rest of the blue chip sector lacked support. Retail investors continued to back away from Government bonds.

At the close, the FT-SE 100 Index showed a gain of 0.9 to 1637.9, while the FT Ordinary index was 0.7 off at 1279.6. At 82.30, the FT Government securities index shed 0.09.

UK private investors, finally in receipt of their allotment letters, sold some British Gas shares, but these were readily picked up by institutional buyers. At 64p, the shares ended ½p down after turnover of 297m—a significant increase over Monday's total.

Japanese trading houses, which have been bullish of Gas shares since the offering, continued to buy stock, and both the US and British securities houses were equally eager to take up the small lots sold by Sid.

British Gas was the sole firm spot in a dull energy sector. Imperial Chemical Industries fell back on its deal with Enterprise Oil, which rose smartly.

The strongest feature in equities was Glaxo, which bounded ahead on turnover of nearly six million ordinary shares, in London, heavy trading in the UK traded options market, and also in the ADR's in the US.

Glaxo is expected to announce this week a new drug for the treatment of schizophrenia, a major affliction in both the US and the UK.

According to Dr A. Banerji of Nomura Research Institute, sales of such a drug could rival Glaxo's highly successful Zantac, anti-ulcer drug—if it avoids the unpleasant side effects which have dogged similar treatments.

Once again, it was the London and Japanese houses which bought Glaxo—US investors remain somewhat cool towards the stock. However, Glaxo are actively seeking full listing in Tokyo and also in the US, where they are at present only listed as an over-the-counter ADR. A full New York listing could lift Glaxo into the "core lists" of US institutions.

Gilt-edged were slow to respond to the early gain in sterling, but rallied briefly following disclosure of the UK Public Sector Borrowing Requirement in November. However, prices returned to the down trend to close ⅛ or so lower.

Minet disappoints

Lloyd's broker Minet reflected disappointment with the static nine-month profits performance and eased to 242p before closing 4 down on balance at 243p. C.E.Heath, meanwhile, softened a couple of pence at 459p with sentiment here not helped by a Press report that its Pinnacle reinsurance subsidiary has seen a 60 per cent decline in premium income so far this year due to adverse publicity over a law suit involving the insolvent Mentor. Elsewhere, Composites continued to drift lower for want of support. General Accident relinquished 5 at 804p and Sun Alliance closed the same amount off at 634p.

Financial services group, Benchmark, improved 3 more making a two-day gain of 9 at 47p on the announcement that the company is involved in merger discussions with Charlton Seal Dimmock, a Manchester and London-based firm of stockbrokers. Hill Samuel met with revived speculative demand and close 7 to the good at 370p.

Among recently-issued equities, TSB Channel Islands rose 11 to 110p reflecting demand in a restricted market. Geest hardened a couple of pence to 169p.

The current Brewery results season, as yet relatively uninspiring, provided further disappointment as Scottish and Newcastle revealed first-half profits some £2.5m below most market estimates and consequently dipped 3 to 200p, after 197p. The increased interim dividend and optimistic tenor of the accompanying statement had little discernible effect on sentiment. Matthew Brown, the Blackburn-based concern which narrowly fought off a bid from Scottish late in 1985, dipped 10 to 580p. James Donaldson at Greenwell Montagu suggests that any revived bid from Scottish could be further delayed in the light of the latter's results. Buckleys, a perennial takeover favourite—Bestwood currently holds just over 25 per cent of the equity—eased a few pence to 154p as Whitbread increased its stake to 18 per cent.

Househuilders featured an otherwise lack-lustre Building sector. George Wimpey attracted support on talk of a broker's lunch and added 3 to 186p, while Barratt Developments, partly in sympathy, firmed 6 to 160p. Bryant Holdings edged up 1 to 154p on suggestions that English China Clays is set to return with a fresh bid of around 160p per share. Y.J. Lovell were a firm market in front of today's annual results and closed 12 higher at 393p, while news of a bid approach boosted Wettern Brothers 11 to 131p, but Nottingham Brick continued to lose ground in the wake of the abortive merger talks with Steetley and closed 8 down at 255p, a two-day loss of 42.

Woolworth up again

Leading retailers failed to respond afresh to the latest retail sales figures which showed consumer spending accelerating sharply in November as the Christmas shopping season got under way. Apart from Woolworth, which added 3 more to 675p, after 680p, on further consideration of the joint venture with Rosehaugh property group to develop a number of Woolworth's high street stores, prices gave ground on persistent selling. Well over 3m Marks and Spencer shares changed hands and the close was 2½ lower at 179p, while Storehouse fell 7 at 266p and Harris Queensway dipped 6 at 206p. Burton closed 5 off at 258p. Secondary issues were featured by a jump of 16 to 282p in Goldsmiths following news of the bid from Oriflame, 10 easier at 850p.

British Telecom, which last week reported interim profits up sharply from £902m to just over £1bn, attracted a sizeable demand—15m shares changed hands yesterday—and the close was 3 dearer at 201p. As the controversy over Nimrod continued, GEC held the overnight level of 166p. Plessey, meanwhile, which will benefit if the Government chooses the American Boeing AWAC system instead of GEC's Nimrod, improved to 176p before closing a penny easier on balance at 173p. Secondary Electricals featured MK 16 higher at 284p following revived speculative support.

Leading Engineers strayed from previous closing levels. Elsewhere, late support lifted Ransomes Sims 18 to 200p, while comment on the preliminary figures prompted a gain of 1½ to 67½p in Arthur Lee. Simon held at 308p following further rejection of the Valuedale bid; the latter has extended its offer until December 29 having received acceptances from holders of ordinary shares to the extent of 0.5 per cent. Renewed demand in anticipation of Friday's interim statement left Wellman up a penny more at 46½p.

Old takeover favourite Bejam attracted a flurry of buying interest and touched 169p prior to closing a couple of pence dearer at 167p, but other Food Retailers rarely strayed from overnight levels. Elsewhere, acquisition news was good for Hillsdown Holdings finally 2 firmer at 220p, after 222p. Recently-firm squirrel Horn shed 3 to 65p following boardroom changes which are expected to lead to expansion.

Grand Metropolitan gave up 8 to 463p on profit-taking.

Reckitt and Colman up

Reckitt and Colman came to life and advanced 20 to 829p, but the volume of business was relatively small. Fisons, a depressed market of late, staged a useful revival and closed 8 to the good at 522p in a volume of 5.8m shares, while Pilkington, still reflecting hopes of an increased offer from BTR, were briskly traded (6.2m) before closing unaltered at 638p. Unilever, in contrast, met with further profit-taking and gave up 15 to 2155p, but BOC improved 5 to 354p following the full report and accounts. News that John Brown Engineering had won contracts in China valued at around £45m failed to help Trafalgar House which closed a penny easier at 260p. Elsewhere in the miscellaneous industrial sector, Philip Harris responded to the increased interim dividend and profits with a gain of 5 at 255p. Revived speculative activity left Peek Holdings 4 to the good at 42p, but the confident tenor of the chairman's statement at the annual meeting failed to sustain Smiths Industries which gave up 3 to 286p. Further consideration of the interim statement, however, prompted a gain of 2 to 258p in Halma.

A maintained dividend payment plus a sizeable UK acquisition outweighed news of sharply lower profits and enabled Plaxtons (GB) to regain to 97p. The purchase of Kirkby Central, a leading general motors dealer group and the foremost UK coach distributor, is to be satisfied by a £5.2m share issue to the vendors and £2.2m in cash. Caffyns continued firmly after the disclosure of a profits' boost from branch rationalisation and ended 5 higher at 248p, while Godfrey Davis attracted renewed speculative interest to close 8 up at 133p and equalling the year's best. Demand in a restricted market lifted Western Motor to 203p before the price settled only marginally better at 195p.

Paper/Printings were bereft of features apart from John Waddington which moved up 5 to 200p on vague bid talk. McCorquodale, at 285p, were unmoved by the preliminary results, announced after the official 3.30 pm close. The later announcement of EMAP's agreed offer for CPR (Courier Press) hardly affected the former's "A" shares, already slightly higher at 137p.

Profit-taking in the wake of the respective interim results left Peel Holdings 10 off at 515p and Tops Estates 10 down at 300p. Frogmore Estates were unchanged at 218p following news that the company had purchased 1.2m of its own shares at 222p per share on net asset value consideration. Property and Reversionary, currently merging with Lynton, softened 5 to 268p, with Speyhawk which had an offer of 300p per share for P & B rejected lost 15 at 360p. Elsewhere in the Property sector, Egerton Trust attracted fresh support at 107p, up 5.

Revived bid speculation — the company announced last month that it had received an approach from a third party — forced Milford Docks up to 80p before a close of 76p, up 8 on the session.

Victoria Carpets took the honours in the Textile sector, rising 10 to 131p on a resurgence of speculative inquiry; over the past few months several larger groups have been mentioned as possible suitors to the company.

Partial unitisation proposals had little effect on Outwich Investment Trust which finally eased the turn to 221p. Renewed demand lifted China and Eastern Investment 5 to 110p, while Archimedes Capital shares improved 3 to 186p awaiting the preliminary figures. NHC Investments came under selling pressure in Financials, losing 10 to 173p.

Enterprise feature

The oil majors, firm on Monday reflecting optimism about the current Opec meeting in Geneva, turned easier in the absence of any definite news concerning pricing and output levels. BP were finally 7 off at 704p, while Shell settled a few pence cheaper at 974p. Britoil settled 2½ lower at 165p, but LASMO continued firmly at 164p, up 3 and Ultramar gained 4 to 158p. Elsewhere, Enterprise touched 178p prior to closing a net 12 up at 175p following details of the injection of ICI's oil and gas interests into the company in exchange for new Enterprise shares; ICI will eventually hold 25 per cent of the enlarged Enterprise equity. IC Gas rose 11 to 573p following the interim results and statement on the proposed restructuring of the company in the wake of Gulf Resources' abortive bid for the company.

Lasmo staged a spirited revival, some 1.6m shares were traded, and closed 6 dearer at 234p. A leading marketmaker said the shares were due a rally now a large seller had completed his business. Elsewhere in Overseas Traders, Harrisons and Crosfield picked up 9 at 447p.

Another firm display by overnight Sydney and Melbourne markets culminated in the news that the Federal Government has decided not to impose a tax on the income of gold mining companies. The announcement was greeted enthusiastically in London and dealers marked quotations higher across the board. Central Norseman, 675p, and Gold Mines of Kalgoorlie, 720p, spurted 42 and 37 respectively, while Poseidon advanced 12 to 360p. Double-digit rises were also evident for Metana, 322p, Sons of Gwalia, 375p, and Australian Consolidated Minerals, 263p. Leading diversified counters were not neglected with Western Mining particularly firm at 242p, a gain of 12.

Elsewhere, Consolidated Gold Fields returned to the fore, rising 3 to 664p after 672p, as around 2.1m shares changed hands reflecting the possible flotation of part of its US gold mining interests early next year—much sooner than originally envisaged by market observers. Other London-domiciled Financials gave modest ground; RTZ eased a few pence to 660p, while Greenwich Resources, scheduled to announce preliminary figures tomorrow, dipped 2 to 180p.

An unexciting performance by bullion—the metal closed $0.25 off at $394 an ounce—and the closure of the Cape for a public holiday precluded interest in South African Golds. Dealers reported occasional small demand from Continental sources, but this was not mirrored in either London or New York. The FT Gold Mines index, reflecting currency influences, rose 3.4 to 316.6.

Jantar, up to 35p at one stage, settled a couple of pence cheaper on balance at 51p as Bow Investments was revealed as the purchaser of Pioneer International Trust's near-30 per cent stake in the company. Bisichi Tin, however, met renewed support and improved 8 for a two-day gain of 10 to 39p; Jantar currently controls a 17.21 per cent stake in Bisichi.

Traded Options

Extremely lively conditions prevailed in Traded Options with total contracts done amounting to 51,675. Interest again centred on British Gas which attracted 20,727 calls, the January 60 series accounting for 8,680 alone, and 1,870 puts. British Telecom were also wanted and recorded 2,236 calls and 1,300 puts. Above-average demand was noted for Consolidated Gold Fields, Glaxo and Hanson Trust.

Traditional Options

- **First dealings** Dec 15 Jan 5 Jan 19
- **Last dealings** Jan 2 Jan 16 Jan 30
- **Last declaration** Mar 19 Apr 2 Apr 23
- **For Settlement** Mar 30 Apr 13 May 5

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Amstrad, Ward White, Peek, "The Times" Veneer, Ivanhoe, John Williams of Cardiff, Greenwich Resources, Conroy, Reabrook, Pentland, WSL, North Kalgurli, Claremont, Santos, Pilkington, Bristol Oil and Minerals, Newman Industries, Western Motor, Britoil and Rivlin. A put was done in British Gas, while a double was taken out in Greenwich Resources.

FINANCIAL TIMES STOCK INDICES

	Dec. 16	Dec. 15	Dec. 12	Dec. 11	Dec. 10	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.30	82.39	82.24	81.60	81.64	82.91	94.51 (18/4)	80.39 (23/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.25	89.08	89.00	88.61	88.64	88.86	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,279.6	1,280.3	1,280.4	1,284.7	1,285.5	1,089.9	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	316.6	313.2	311.7	316.9	312.6	259.8	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.47	4.47	4.47	4.46	4.46	4.56				
Earnings Yld.% (full)	10.60	10.61	10.62	10.56	10.49	11.32				
P/E Ratio (net) (*)	11.58	11.57	11.56	11.62	11.71	10.90				
SEAQ Bargains (5pm)	38,336	29,882	30,340	31,290	31,309	—				
Equity Turnover (£m)	—	1,150.64	1,166.95	1,111.10	1,212.01	475.87				
Equity Bargains	—	45,843	45,522	51,868	60,696	18,167				
Shares Traded (ml)	—	505.3	571.6	550.9	673.2	254.9				

S.E. ACTIVITY

Indices	Dec. 15	Dec. 12
Gilt Edged Bargains	129.0	129.0
Equity Bargains	297.0	295.0
Equity Value	2325.7	2358.7
5-Day Average		
Gilt Edged Bargains	117.1	111.8
Equity Bargains	337.9	343.0
Equity Value	2462.5	2467.6

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1279.4	1281.6	1281.3	1279.7	1278.1	1278.9	1279.9	1279.4

Day's High 1281.7. Day's Low 1277.6.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.25.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (104)

AMERICANS (3), BANKS (2), BUILDINGS (6), CHEMICALS (2), STORES (6), ELECTRICALS (4), ENGINEERING (3), FOODS (3), INDUSTRIALS (11), INSURANCE (1), LEISURE (2), NEWSPAPERS (1), PROPERTY (5), TRUSTS (43), OILS (3), PLANTATIONS (1), MINES (10).

NEW LOWS (10)

AMERICANS (1) Bethlehem Steel, Cont'l. Illinois Corp, Hospital Corp America, BUILDINGS (1) Henderson Group, ELECTRICALS (1) Systems Reliability, FOODS (1) Hillards, INDUSTRIALS (2) Hunsleigh Tech., Nash Computers, PAPER (1) Norton Opax, SHIPPING (1) Sea Containers.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	625	149	−1	Land Securities	935	332	—
Allied Lyons	2,000	308	+1	Legal & Gen.	1,200	248	+2
BAT	3,600	468	+5	Lloyds Bnk	382	454	+4
BOC	1,300	354	+5	Lonrho	1,600	234	+6
BTR	1,500	271	−4	Marks & Spncr	3,700	179	−2½
Barclays	986	485	+3	Midland Bank	930	569	+4
Bass	369	728	—	NatWest Bank	377	519	—
Beecham	2,800	416	+2	Pearson	386	565	−3
Blue Circle	330	651	+1	P & O	1,200	496	−2
Boots	4,000	225	−3	Pilkington Bros	6,200	638	—
Brit. Aero	937	491	+5	Plessey	8,000	173	−1
Brit. Gas	298,000	64	−½	Prudential	1,500	804	−10
Britoil	4,400	165	−2½	Racal	1,600	177	−1
BP	4,800	704	−7	Rank Org	1,100	531	+7
Brit. Telecom	15,000	201	+3	Reckitt & Col	447	829	+20
Burton	2,400	258	−5	Reuters	619	573	+2
Cable & Wire	4,100	321	+4	RTZ	314	660	−4
Cadbury Schwps.	3,300	185	−1	Rowntree Mac	153	398	−2
Coats Viyella	153	464	—	Royal Insurance	707	834	−3
Comm. Union	557	269	—	STC	1,660	168	—
Cons. Gold	2,100	664	+3	Sainsbury	85	434	—
Courtaulds	494	307	—	Sears	2,800	121½	−2
Dee Corp	1,000	206	—	Sedgwick	640	320	+2
Dixons Grp	2,100	318	−3	Shell Trans	2,400	974	−3½
Fisons	5,800	522	+8	Smith & Nephew	1,700	135	—
Gen. Accident	591	804	−5	Standard Chart.	56	807	—
Gen. Elect.	7,800	166	—	Storehouse	2,700	266	−7
Glaxo	5,900	1,009	+32	Sun Alliance	203	634	−5
Grand Met	8,700	463	−8	TSB	4,600	75½	—
Gus "A"	381	£10⅝	−1/16	Tesco	928	390	−3
Guardian R.E.	118	772	—	Thorn EMI	520	474	−1
GKN	927	266	—	Trafalgar House	1,500	260	−1
Guinness	2,300	296	−3	T'house Forte	4,100	176	—
Hanson Trust	1,900	186	−1	Unilever	264	521⅞	−¾
Hawker Sidd	104	435	—	United Biscuits	918	235	−1
ICI	1,000	£10 11/16	−1/16	Wellcome	1,200	215	—
Jaguar	419	520	—	Woolworth	1,000	675	+3
Ladbroke	826	368	+2				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	41	43	28
Corporations, Dominion and Foreign Bonds	20	7	42
Industrials	366	503	667
Financial and Properties	173	148	262
Oils	41	22	50
Plantations	2	0	12
Mines	59	17	109
Others	69	77	55
Totals	771	817	1,225

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday December 16 1986

Figures in parentheses show number of stocks per section

		Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon Dec 15 Index No.	Fri Dec 12 Index No.	Thur Dec 11 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (210)	676.49	−0.1	9.25	3.85	13.71	17.01	677.38	677.82	681.08	557.47
2	Building Materials (27)	853.44	−0.1	8.89	3.60	14.16	18.98	853.97	852.13	851.48	632.49
3	Contracting, Construction (29)	1154.49	+0.5	8.70	3.98	16.98	22.81	1158.61	1157.80	1159.03	902.61
4	Electricals (12)	1732.30	−0.2	8.79	4.87	14.75	56.02	1735.00	1732.22	1742.43	1500.05
5	Electronics (38)	1441.71	−0.2	10.01	2.86	13.24	30.56	1444.20	1449.69	1464.97	1394.24
6	Mechanical Engineering (61)	382.28	—	9.29	4.03	13.11	11.38	382.17	381.90	384.20	317.00
8	Metals and Metal Forming (7)	348.97	—	10.15	4.26	12.19	10.25	348.97	349.43	350.35	235.76
9	Motors (15)	264.65	+0.3	10.45	3.97	11.04	6.73	263.87	266.77	268.08	199.68
10	Other Industrial Materials (21)	1176.58	−0.8	7.55	4.40	15.71	30.57	1186.01	1187.20	1188.38	969.47
21	CONSUMER GROUP (186)	934.35	−0.5	8.19	3.41	15.39	21.04	934.31	930.70	932.94	744.93
22	Brewers and Distillers (22)	934.57	−0.7	9.00	3.64	13.89	17.52	941.15	941.62	940.83	748.22
25	Food Manufacturing (24)	734.27	—	9.25	3.84	14.37	19.22	734.71	735.40	738.02	555.21
26	Food Retailing (16)	1835.15	+0.2	7.12	2.95	19.57	35.41	1838.78	1834.14	1832.41	1711.79
27	Health and Household Products (10)	1568.32	+1.8	6.06	2.42	19.14	26.19	1539.98	1519.43	1536.94	1173.71
29	Leisure (29)	967.71	+0.1	7.77	4.19	16.83	26.00	966.93	971.34	968.19	745.95
31	Publishing & Printing (14)	2722.21	−0.2	7.16	4.39	18.01	77.81	2727.26	2709.95	2725.73	1853.27
32	Packaging and Paper (14)	483.64	+0.4	7.20	3.45	18.00	11.74	481.50	481.73	489.13	362.33
34	Stores (38)	818.80	−1.2	7.77	3.29	17.48	17.41	828.87	822.57	822.77	748.38
35	Textiles (17)	541.56	+0.2	9.84	3.77	11.69	14.49	540.39	540.60	544.28	373.69
36	Tobaccos (2)	1308.58	+0.9	12.68	3.95	8.66	36.99	1296.40	1294.67	1285.42	865.17
41	OTHER GROUPS (86)	799.20	+0.4	9.06	4.15	14.17	17.75	796.25	795.68	801.54	698.11
42	Chemicals (20)	1006.32	−0.2	8.83	4.36	13.80	29.59	1008.50	1015.12	1021.99	722.31
44	Office Equipment (4)	259.15	+1.0	7.71	4.31	16.86	7.55	256.56	256.27	257.79	209.82
45	Shipping and Transport (12)	1513.70	−0.4	7.92	4.60	16.11	46.25	1520.24	1532.46	1540.90	1314.88
47	Telephone Networks (2)	802.52	+1.5	13.66	4.80	11.69	16.67	790.96	783.61	793.59	874.01
48	Miscellaneous (48)	1105.57	−0.1	7.05	3.23	17.49	22.30	1107.13	1107.55	1110.96	854.60
49	INDUSTRIAL GROUP (482)	841.11	—	8.65	3.70	14.65	19.42	840.62	838.94	842.45	691.15
51	Oil & Gas (18)	1475.87	−0.4	11.54	6.13	10.97	62.91	1481.58	1466.60	1432.73	1088.11
59	500 SHARE INDEX (500)	894.86	—	9.07	4.05	13.96	22.85	894.95	890.32	892.28	729.37
61	FINANCIAL GROUP (118)	606.92	—	—	4.70	—	18.95	607.27	609.83	609.63	507.79
62	Banks (8)	670.67	+0.4	18.77	5.48	7.31	24.78	668.00	667.93	667.07	572.55
65	Insurance (Life) (9)	854.12	−0.4	—	4.56	—	27.29	857.71	864.59	864.67	775.28
66	Insurance (Composite) (7)	452.17	−0.4	—	4.84	—	15.57	453.79	456.77	460.77	394.55
67	Insurance (Brokers) (9)	1155.41	−0.1	8.11	4.56	16.07	36.30	1156.93	1154.31	1165.10	1195.01
68	Merchant Banks (11)	341.35	−0.1	—	4.24	—	7.35	341.62	339.11	336.97	282.69
69	Property (49)	802.18	−0.3	5.82	3.61	22.28	19.48	804.59	806.01	809.82	664.57
70	Other Financial (25)	364.53	−0.4	8.85	4.35	13.82	9.81	365.00	365.43	365.69	301.54
71	Investment Trusts (97)	869.39	+0.4	—	2.65	—	16.23	866.26	865.73	862.16	637.34
81	Mining Finance (2)	328.09	−0.2	9.54	4.89	12.53	13.30	328.73	328.15	323.84	240.53
91	Overseas Traders (13)	756.71	+1.1	10.50	5.11	11.52	29.74	748.23	748.66	748.50	582.29
99	ALL-SHARE INDEX (730)	818.18	—	—	4.32	—	21.52	818.13	815.18	816.56	662.51

	Index No.	Day's Change	Day's High	Day's Low	Dec 15	Dec 12	Dec 11	Dec 10	Dec 9	Year ago
FT-SE 100 SHARE INDEX ♦	1637.9	+0.9	1638.5	1636.0	1637.0	1629.8	1634.0	1634.6	1635.9	1365.4

FIXED INTEREST

	PRICE INDICES	Tues Dec 16	Day's change %	Mon Dec 15	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	118.89	+0.08	119.05	0.25	11.26
2	5-15 years	129.22	+0.01	129.89	0.64	12.23
3	Over 15 years	134.43	−0.32	136.12	1.26	13.41
4	Irredeemables	148.31	+0.05	148.23	—	13.57
5	All stocks	127.75	−0.02	128.40	0.62	12.76
	Index-Linked					
6	5 years	115.75	−0.06	115.82	—	2.00
7	Over 5 years	112.49	+0.06	112.43	—	3.01
8	All stocks	112.99	+0.04	112.95	—	2.84
9	Debentures & Loans	110.50	−0.14	110.66	—	11.72
10	Preference	78.75	+0.09	78.68	—	6.36

	AVERAGE GROSS REDEMPTION YIELDS		Tues Dec 16	Mon Dec 15	Year ago (approx.)
	British Government				
1	Low	5 years	9.88	9.88	10.16
2	Coupons	15 years	10.43	10.40	10.30
3		25 years	10.43	10.41	10.31
4	Medium	5 years	11.18	11.21	11.27
5	Coupons	15 years	10.97	10.96	10.66
6		25 years	10.47	10.40	10.26
7	High	5 years	11.28	11.27	11.24
8	Coupons	15 years	10.98	10.94	10.91
9		25 years	10.53	10.49	10.44
10	Irredeemables		10.15	10.16	9.81
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	3.83	3.78	[illegible]
12	Inflat'n rate 5%	Over 5 yrs	3.77	3.77	[illegible]
13	Inflat'n rate 10%	5 yrs	2.73	2.69	[illegible]
14	Inflat'n rate 10%	Over 5 yrs	3.59	3.59	[illegible]
15	Debs & Loans	5 years	11.75	11.71	11.56
16		15 years	11.66	11.57	11.40
17		25 years	11.57	11.57	11.39
18	Preference		11.86	11.86	11.96

♦Opening index 1635.1; 10 am 1637.4; 11 am 1637.4; Noon 1637.4; 1 pm 1635.7; 2 pm 1636.7; 3 pm 1638.0; 3.30 pm 1637.8; 4 pm 1637.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

December 16. Total Contracts 51,675. Calls 40,253. Puts 11,442. FT-SE Index Calls 702 Puts 155

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA / BELGIUM/LUXEMBOURG / DENMARK / FINLAND / NETHERLANDS / GERMANY / ITALY / FRANCE / NORWAY / SPAIN / SWEDEN / SWITZERLAND / AUSTRALIA / HONG KONG / JAPAN / SINGAPORE / SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices December 16

[illegible]

MONTREAL

Closing prices December 16

[illegible]

Total Sales 5,686,121 shares

NEW YORK

[illegible]

TORONTO	Dec 16	Dec 15	Dec 12	Dec 11	1986 High	1986 Low
Metals & Minls	1,965.20	n/a	1,971.36	1,984.6	2,442.85 (21/3)	1,817.4 (5/8)
Composite	3,030.60	3,031.00	3,041.6	3,034.9	3,129.11 (18/4)	2,754.0 (17/2)
MONTREAL Portfolio	1528.34	1,525.58	1,526.62	1,529.2	1,623.3 (18/4)	1,388.6 (22/1)

* Indicates pre-close figure

Indices

	Dec. 16	Dec. 15	Dec. 12	Dec. 11	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1448.7	1439.1	1437.7	1437.4	1440.7 (10/12)	1018.8 (2/1)
Metals & Mnls. (1/1/80)	701.1	691.8	697.8	665.4	718.9 (21/10)	481.1 (20/1)
AUSTRIA						
Credit Aktien (30/12/84)	211.51	231.82	231.75	235.72	266.54 (23/4)	228.58 (5/8)
BELGIUM						
Brussels SE (1/1/84)	4064.42	4049.86	4068.57	4088.20	4131.69 (5/12)	2766.91 (10/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	(u)	193.46	194.60	250.70 (16/4)	186.28 (11/11)
FINLAND						
Unitas Genl. (1975)	430.4	428.7	427.5	426.5	430.4 (16/12)	258.8 (7/1)
FRANCE						
CAC General (31/12/82)	418.4	414.8	412.5	415.4	414.5 (15/12)	257.8 (2/1)
Ind Tendance (31/12/82)	156.0	165.0	164.2	164.1	165.0 (15/12)	101.1 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	(u)	878.88	879.25	884.42	755.68 (17/4)	583.91 (22/7)
Commerzbank (1/12/53)	2058.1	2036.8	2051.1	2062.9	2278.8 (17/4)	1762.4 (22/7)
HONG KONG						
Hang Seng Bank (31/7/64)	2440.88	2449.43	2463.28	2467.15	2467.18 (11/12)	1559.84 (19/5)
ITALY						
Banca Comm. Ital. (1972)	681.72	670.74	677.18	671.18	908.28 (20/5)	454.87 (24/1)
JAPAN**						
Nikkei (16/5/49)	18833.1	18768.9	18850.6	18781.2	18888.2 (20/8)	12991.8 (21/1)
Tokyo SE New (4/1/68)	1574.48	1568.08	1568.51	1555.78	1583.65 (20/8)	1025.85 (21/1)
NETHERLANDS						
ANP-CBS General (1970)	282.4	284.0	286.1	286.8	301.8 (5/9)	240.4 (3/3)
ANP-CBS Indust (1970)	280.3	282.6	284.4	284.6	303.9 (19/8)	234.0 (3/3)
NORWAY						
Oslo SE (4/1/83)	361.74	365.19	365.54	362.95	402.91 (16/1)	331.61 (4/8)
SINGAPORE						
Straits Times (30/12/66)	890.32	893.95	889.15	884.18	940.64 (3/11)	583.34 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	(c)	—	1917.8	1917.0	1817.8 (19/9)	1104.1 (21/4)
JSE Indust (28/9/78)	(c)	—	1584.0	1570.0	1419.0 (12/11)	1019.8 (21/4)
SPAIN						
Madrid SE (30/12/85)	205.62	202.60	199.61	199.44	205.62 (16/12)	100.85 (3/1)
SWEDEN						
Jacobson & P (31/12/56)	2444.87	2454.66	2474.0	2442.44	2872.78 (7/11)	1729.57 (28/1)
SWITZERLAND						
SwissBankCpn (31/12/58)	583.1 F	588.5	594.0	594.4	626.5 (8/1)	497.2 (4/8)
WORLD						
M.S. Capital Intl. (1/1/70)	—	354.4	353.7	355.8	360.8 (1/8)	245.8 (28/1)

** Saturday December 13: Japan Nikkei (c). TSE (c).

Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

TOKYO – Most Active Stocks
Tues Dec 16, 1986

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Hitachi Ltd.	34.03m	1,170	+80	Toyobo	14.4m	403	+28
Nippon Oil	28.1m	1,450	unch	Sharp Corp.	11.4m	1,140	+100
Japan Line	28.002m	101	+23	Tokyo Gas	11.3m	1,190	unch
Mat Elec Ind	15.7m	2,150	+50	Marubeni & Co.	11.1m	781	+16
Tea Harbor Works	15.5m	611	+22	Tokio Marine & Fire	10.5m	1,850	+50

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 45

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EUROPE

Frankfurt rediscovers its appetite

Continued from Page 46

rier FFr 26 to FFr 785 and Pernod-Ricard FFr 22 to FFr 1,103.

Electronics saw Thomson-CSF fall FFr 42 to FFr 1,640 after news that the company plans to raise FFr 2bn. Matra was down FFr 35 to FFr 2,420 while Alcatel, which had advanced strongly on Monday, fell back FFr 27 to FFr 2,531.

Retailers were mixed, with Carrefour, Damart and Darty rising by FFr 10, FFr 100 and FFr 6 to FFr 3,770, FFr 2,585 and FFr 479 respectively but Galeries Lafayette was down FFr 75 to FFr 1,140 and Printemps off FFr 14 at FFr 595.

Amsterdam ended mixed after a lacklustre session. Prices received an early boost from the cut in the French repurchase rate which eased fears of a local rise in interest rates.

Trading in KNP shares was suspended briefly so the company could announce the acquisition of a small West German cardboard producer. The news had no effect on the share price which closed unchanged at Fl 165.

Among internationals, Philips was steady at Fl 44.60. The group announced it was talking to Toppan, the Japanese printing company on the possibility of collaboration in compact disc technology and that it had signed a letter of intent for a 30 per cent stake in a Chinese television venture.

In the chemicals sector, Akzo eased 10 cents to Fl 157.60 after news that its subsidiary Enka was starting a hi-tech fibre venture with Sumitomo Chemical of Japan.

Zurich was also mixed, with some selling of blue chips as foreign investors moved to take profits out of a weak Swiss franc zone. Ciba-Geigy fell SFr 10 to SFr 3,610, while Swiss Bank was off SFr 21 at SFr 559 and Swiss Re SFr 300 at SFr 16,700.

Landis & Gyr added SFr 15 to SFr 1,795 after announcing it planned an unchanged dividend and a one-for-18 rights issue.

Brussels ended a moderately active session mixed, with Petrofina adding BFr 90 to BFr 9,860 but many other industrials down on the day.

Chemicals saw Gevaert and UCB both off BFr 50 at BFr 6,170 and BFr 9,200 respectively, while banks were mixed with Générale up BFr 10 at BFr 6,060 and Royale Belge easing BFr 8 to BFr 29,432.

Cockerill Sambre, whose chairman is moving to take charge at Renault, gained BFr 1 to BFr 131.

Milan showed signs of an upturn in demand and was also helped to a firmer close by the opening of the new bourse month.

Corporate developments were rife, with Olivetti gaining L200 to L12,700 amid news it was taking a stake in Swiss typewriter company Pelikan. Montedison, which is buying a Spanish group, gained L50 to L2,860.

The Bank of Italy said it wanted a resolution of the row over Mediobanca, whose share price rallied L5,250 to L233,950.

Stockholm fell again on worries over interest rates, although market activity was thin ahead of the Christmas holiday.

Shares in Fermenta remained suspended as police launched an investigation into alleged insider trading.

Saab, which has won orders for seven aircraft, added SKr 5 to SKr 720 and Volvo also went against the trend, gaining SKr 8 to SKr 355.

Oslo was mainly easier on profit-taking although oils gained on optimism about Opec production cuts.

Madrid moved higher again, with constructions strong and only communications and utilities showing any weakness. Banco de Bilbao, which has raised about £33m in a private share placing on the London Stock Exchange, gained 11 percentage points to 1,305 per cent of nominal market value.

Dutch act on market "abuse," Page 21

LONDON

Chief price changes (In pence unless otherwise indicated)

RISES		
ACM	243	+19
Bat Inds.	468	+5
Benchmark	47	+3
Bisichi Tin	39	+6
Enterprise Oil	175	+12
Godfrey Davis	133	+8
Glaxo	£10⅞	+⅜
Gold Mines Kalgo	720	+37
Goldsmiths	282	+16
Harris & Crosf	447	+9
Imp. Cont. Gas	573	+11
Lonrho	234	+6
Lovell (Y.J.)	393	+12
MK Electronic	384	+18
Metana Minerals	322	+24
Milford Docks	75	+8
Moran Tea	925	+50
Ransomes Sims	200	+10
Reckitt & Colman	829	+20
TSB Chan Is	110	+11
Victoria Carps	131	+10
Waddington (J)	200	+5
Wettern Bros.	131	+11

FALLS		
Harr Queensway	206	-6
Minet Hldgs	243	-4
NMC Inv.	173	-10
Scot & Newc.	200	-3
Storehouse	266	-7

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	16[illegible]	AAR s	44	1 8	19	364	24[illegible]	24[illegible]	24[illegible]	+ [illegible]
30	21[illegible]	ADT	32	1 6		268	25[illegible]	25[illegible]	25[illegible]	+ [illegible]
33	16[illegible]	AFC s	12i	4	15	519	30[illegible]	29[illegible]	30[illegible]	+ [illegible]
29	16[illegible]	AGS			18	62	27[illegible]	27[illegible]	27[illegible]	− [illegible]
[illegible]	7[illegible]	AMCA			30	7[illegible]	[illegible]	7	7[illegible]	− [illegible]
62[illegible]	39[illegible]	AMR			13	4133	55[illegible]	55	55[illegible]	− [illegible]
[illegible]	23[illegible]	ANR pf 2 67		10		6	26[illegible]	26[illegible]	26[illegible]	+ [illegible]
24[illegible]	20[illegible]	ANR pf 2 12		8 8		14	24[illegible]	24	24	− [illegible]
16[illegible]	10	ARX	71t	6 2	11	101	11[illegible]	11[illegible]	11[illegible]	− [illegible]
41[illegible]	28[illegible]	ASA	2a	5 4		304	37[illegible]	36[illegible]	37	− [illegible]
15[illegible]	9[illegible]	AVX			29	264	11[illegible]	10[illegible]	10[illegible]	− [illegible]
32	26	AZP	2 72	9 5	9	1652	28[illegible]	28[illegible]	28[illegible]	
55	31[illegible]	AbtLb s	84	1 7	22	6573	49	47[illegible]	48[illegible]	− [illegible]
32	25	AccoWd	56	2 1	17	845	26[illegible]	25[illegible]	25[illegible]	+ [illegible]
14[illegible]	9	AcmeC	40	3 8		57	10[illegible]	10[illegible]	10[illegible]	
9[illegible]	6[illegible]	AcmeE	32b	5 1	16	49	6[illegible]	6[illegible]	6[illegible]	
25[illegible]	17[illegible]	AdaEx	4 45e	22		360	20[illegible]	19[illegible]	19[illegible]	− [illegible]
33[illegible]	19[illegible]	AdmMl	48	1 8	13	69	26[illegible]	26[illegible]	26[illegible]	− [illegible]
29[illegible]	12[illegible]	AdvSys	41 4SI	8 6	14	437	17[illegible]	16[illegible]	16[illegible]	− [illegible]
34[illegible]	12[illegible]	AMD				2336	14[illegible]	14[illegible]	14[illegible]	− [illegible]
12[illegible]	5[illegible]	Adobe				2181	6[illegible]	5[illegible]	6[illegible]	− [illegible]
19[illegible]	13[illegible]	Adob pf 1 84		12		232	15[illegible]	15[illegible]	15[illegible]	− [illegible]
23[illegible]	16[illegible]	Adob pf 2 40		14		66	17[illegible]	17	17[illegible]	
18[illegible]	10[illegible]	Advest	12a	1 0	9	164	12[illegible]	12[illegible]	12[illegible]	− [illegible]
66[illegible]	5[illegible]	AetnLf	2 64	4 6	8	6233	57[illegible]	56[illegible]	57[illegible]	− [illegible]
54[illegible]	51[illegible]	AetL pf3 94e		7 6		293	51[illegible]	51[illegible]	51[illegible]	
71[illegible]	34[illegible]	AhlPb s	.44	6	34	376	69[illegible]	68	69[illegible]	+ 1[illegible]
29[illegible]	15	Ahmnss	46	2 0	7	5585	23[illegible]	21[illegible]	23[illegible]	+ 1[illegible]
5[illegible]	2[illegible]	Aileen			45	53	3[illegible]	3	3[illegible]	+ [illegible]
41[illegible]	29[illegible]	AirPrd s	68	2 2	459	5254	37	36[illegible]	36[illegible]	− [illegible]
32	16	AirbFrt	60	2 0	21	298	29[illegible]	29[illegible]	29[illegible]	+ [illegible]
25[illegible]	17[illegible]	Airlse n				257	18	17[illegible]	17[illegible]	+ [illegible]
2	[illegible]	AlMoan	60e			72	7-16	13-32	13-32	
10[illegible]	8[illegible]	AlaP dpl 87		8 7		1377	10[illegible]	10	10	− [illegible]
105[illegible]	86	AlaP pf 9		8 8		4100	102	102	102	
107[illegible]	95[illegible]	AlaP pf 9 44		9 1		220	104[illegible]	104[illegible]	104[illegible]	− [illegible]
[illegible]	[illegible]	AlaP pf 8 16		8 2		[illegible]	99	99	99	

Continued on Page 45

مكذا من الأصل

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Prices break out of rut in late rally

A LAST minute spurt helped stock prices break out of the rut in which they spent most of yesterday's session, *writes Roderick Oram in New York.*

For the second day running the late flurry was attributed largely to computer prompted buy programmes as investors who arbitrage between stock indices and the underlying stocks manoeuvered ahead of Friday's simultaneous expiration of options and futures contracts on the indices and stocks.

Some support for stocks came from bond prices which edged np as the feeling grew that a production cutting agreement was slipping from Opec's grasp. The Dow Jones industrial average closed up 13.36 points at 1,936.18 with almost all the gain coming in the last half hour of trading. It spent the rest of the day little changed from the previous close. The broader market shared the advance giving the New York Stock Exchange composite index a 1 point rise to 142.87. Volume was a reasonably active 158.26m with advancing issues topping declining ones by a three-to-two margin.

Among blue chips, American Can gained $¾ to $87⅞, Eastman Kodak advanced $⅞ to $69⅝, Goodyear Tire and Rubber edged up $⅛ to $42⅞, Merck advanced $2 to $115, Philip Morris eased down $⅛ to $74½ and Westinghouse Electric advanced $¼ to $60¼.

RepublicBank and InterFirst, two of the largest bank bolding companies in Texas, said they were examining a merger proposal in separate board meetings yesterday. RepublicBank's shares lost $¼ to $21¾ in light trading while shares of InterFirst was unchanged at $5⅛ on heavy volume. The former was profitable in the first nine months of this year and the latter reported a loss of $277m.

Elsewhere in the banking sector, Texas Commerce Bancshares fell $¾ to $26½. It agreed on Monday to a takeover by Chemical Bank, up $¾ to $44½, in a transaction worth in total about $36 a share.

BankAmerica lost $⅛ to $15¼. First Interstate Bancorp, down $1⅞ at $56⅝, has moved a step closer to launching a hostile bid for the troubled San Francisco bank holding company with a shares and casb package worth about $22 a share.

Lear Siegler declined $1 to $75½. AFG Partners announced after the market's close on Monday it was dropping its $85 a share bid for Lear although it would still like to be involved in its restructuring.

Bally Manufacturing, a casino and theme park operator, was unchanged at $20¼. Mr Donald Trump, a New York investor, turned down the company's offer to buyback his 9.9 per cent stake at $28⅛ a share.

Beneficial Corp., a finance and insurance group, was off a further $1⅞ to $57⅛ after falling $6 on Monday. It cancelled a shareholders meeting at which a liquidation prososal was to have been discussed.

Control Data was up $⅛ to $27. It announced a $200m restructuring write-off for the fourth quarter.

The continuing stalemate at the Opec meeting over a production cutting agreement had a mixed effect on oil shares. Exxon gained $¼ to $72⅝, Chevron edged up $⅛ to $47⅝ and Texaco inched ahead $⅛ to $35½ while Standard Oil lost $⅝ to $48⅞ and Pennzoil dropped $2⅞ to $65⅞. Murphy Oil, which announced a fourth quarter write-off of $230m, rose $⅝ to $25⅝.

The lack yet of an oil agreement coupled with several US economic factors gave a little lift to the credit markets particularly on longer maturities.

The price of the benchmark 7.50 per cent Treasury long bond rose 7/32 of a point to 101¾ at which it yielded 7.38 per cent. Three-month Treasury bills gained five basis points to 5.54 per cent while six month and year bills rose one basis points to 5.54 per cent and fell one basis point to 5.55 per cent respectively.

The Federal Reserve entered into overnight system repurchases for the second day running when the Fed funds rate was at 8 7/16 per cent. The main domestic economic news due today is the revision of the third quarter gross national product figure. No change is expected from the previous estimate a month ago of 2.9 per cent growth at an annual rate. Treasury financings resume today with the auction of $10.25bn of two-year notes followed tomorrow (Thurs) by $7.75bn of four-year notes and $9.75bn of 52-week bills. Early indications are for strong investor interest. It announced yesterday the auction of about $7.25bn seven-year notes on December 30.

The Chicago Mercantile Exchange has asked for permission to change the expiry time of stock index futures and options in a further move aimed at reducing trading volatility on the "triple witching hour," writes Roderick Oram.

Abnormally sharp share-price movements and heavy volume have occurred sometimes with the simultaneous expiry of contracts on futures and options on stock indices and their underlying shares at the close of trading on the third Friday of March, June, September and December.

The exchange, where the Standard & Poor's 500 index, the most popular contract, is traded, said it had asked the Commodities Futures Trading Commission to approve expiry at the opening of trading on triple witching Fridays.

Although this would give stock markets the full trading session to work out any order imbalances in shares underlying the index contracts, some traders and investors are likely to complain the change will serve only to push the problem back to the Thursday close.

EUROPE

Frankfurt rediscovers its appetite

THE WEAK TREND was reversed in Europe yesterday as most closed mixed or higher under a variety of domestic and international influences.

Frankfurt staged a good technical recovery from the losses of recent days as investors rediscovered their buying appetite in anticipation of strong institutional demand in the New Year.

Sentiment was also helped by Wall Street's overnight rally, while the export sector was aided by the dollar's rise against the D-Mark.

The Commerzbank index rose 19.5 to 2,053.1, recouping more than Monday's loss of 17.5.

Retailers, which had gone against the lower trend on Monday, finished mixed, with Karstadt adding DM 8 to DM 487 while Kaufhof eased DM 1.50 to DM 520.

Cars, electricals and leading chemicals all moved higher, while in the steel sector Klöckner was Pg 60 higher at DM 63.90 after news that its trading unit sales had fallen.

Deutsche Bank said in a report that interest rates would probably hold around their present level but might ease slightly.

Bonds ended mainly higher after a quiet session, lifted by short-covering and a small upturn in the price of US Treasury bills in London trading.

The Bundesbank sold DM 27m worth of paper in its daily market-balancing operation after buying DM 24.4m on Monday.

Paris again proved the exception in Europe, falling back on profit-taking after three successive record highs. Losses were limited, however, by the Bank of France's further cut in its seven-day repurchase rate to 7¾ per cent from 8 per cent after last week's rise to 8¼ per cent in the wake of student riots. Later, after the bourse closed, the Bank announced it was raising its money market intervention rate by ¼ per cent to 7¼ per cent. The two rates will now be more closely aligned.

In the drinks sector, Moët-Hennessy dropped FFr 56 to FFr 2,620, Source Per-

Continued on Page 43

LONDON

HESITANCY RETURNED to the London markets yesterday as concern grew over the outcome of the Opec talks on production and the sudden dismissal of the chief of Petromin, the Saudi state oil group.

The FT-SE 100 index showed a small gain of 0.9 to 1,637.9 and the FT Ordinary shed 0.7 to 1,279.6.

British Gas was the sole feature in a weak energy sector as small investors sold heavily to institutional buyers. The shares finished ½p cheaper at 64p on turnover of 298m compared with Monday's 164m.

Glaxo was heavily traded with 5.9m shares changing hands on strong international buying. It finished £5/16 higher at £10 9/32. ICI dropped sharply on its deal with Enterprise Oil. The former lost £1/16 to £10 23/32 on 1m shares and the latter gained 12p to 175p.

Gilts were slow to respond to the early gains in sterling but rallied briefly on the disclosure of the Public Sector Borrowing requirement for November. Prices finished ⅛ or so lower.

Chief price changes, Page 43; Details, Page 42; Share information service Pages 40–41.

SINGAPORE

MOST INVESTORS kept to the sidelines in Singapore as the Straits Times industrial index edged 3.63 lower to 880.32 although turnover rose slightly to 8.12m shares from the 8.06m traded on Monday.

Sime Darby, most active with 1.01m shares changing hands, gained 1 cent to S$1.81 while Chuan Hup Marine was steady at S$2.70 on 588,000 shares. Singapore Airlines, third most active with 343,000 shares, lost 5 cents to S$9.10.

Fraser & Neave finished 10 cents cheaper at S$8.95 while New Straits Times gave up 8 cents to S$4.80.

HONG KONG

MILD profit-taking developed in Hong Kong and the Hang Seng index slipped 8.75 to 2,440.68 as trading slowed ahead of the Christmas holidays.

Some interest was noted in Wharf Holdings, 5 cents higher to HK$9.15, after touching HK$9.40 on its strong first-half figures. Wharf's parent World International, due to report soon, edged 2½ cents down to HK$3.65.

Elsewhere, Hutchison Whampoa dropped 75 cents to HK$42, Cheung Kong gave up 50 cents to HK$35.75 and China Light at HK$20.50 was 10 cents lower.

TOKYO

Blue chips dominate in rebound

BLUE CHIPS dominated Tokyo trading yesterday, sending share prices briefly to a record high, although some early gains were eroded toward the close, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei market average, which gained 172 points from the previous day to an all-time high of 18,961 in mid-afternoon, ended at 18,933.07 up 144.13. Volume reached 612m shares compared with Monday's 425m shares. Advances led declines by 440 to 403, with 147 issues unchanged.

Wall Street's overnight advance wiped out investor concern at Opec's reported plan to cut crude oil production by 10 per cent and sparked strong buying interest in blue chips such as Hitachi and Matsushita Electric Industrial.

Institutional investors, who had been hesitant to enter the market, began to place buy orders, officials of major securities houses said. This prompted individual investors to follow.

On the trading floor, export-oriented and domestic market-oriented blue chips performed strongly. Hitachi gained Y60 to a record Y1,170 and was the most active stock with 35.03m shares traded.

Matsushita Electric Industrial jumped Y50 to a new high of Y2,150, while Pioneer rose Y160 to Y2,650, Sharp Y100 to Y1,140 and Fuji Photo Film Y60 to Y3,570.

South African markets were closed yesterday for a public holiday.

The strong performance of these issues reflected the yen's weakness against the dollar and the prospect that they will see their earnings positions improve in the business year ending in March 1988.

Investors also hunted some stocks with hidden incentives and speculative issues to earn short-term capital gains. Toyobo rose Y28 to Y403 and Japan Line Y23 to Y101.

Morinaga advanced Y16 to Y781 on lingering rumours that a speculative group was cornering its shares. Tohishima gained Y13 to Y945 and Toa Harbor Works Y22 to Y611.

Conversely, large-capital stocks' popularity faded, although Tokyo Electric Power firmed slightly, closing Y30 higher at Y8,230. Tokyo Gas ended at Y1,190, unchanged from the previous day, while Nippon Kokan shed Y8 to Y237.

Bond prices rebounded slightly, with the yield on the 5.1 per cent government bond, falling due in June 1998, dropping to 5.340 per cent from Monday's 5.370 per cent.

City and regional banks placed small-lot buy orders for interest-bearing bank debentures to stem a further decline in bond prices, while some dealers, the previous day's heavy sellers, moved for repurchases.

AUSTRALIA

FRESH DEMAND for media, gold and oil shares triggered a rally in Sydney and boosted the All Ordinaries index to a record high with a gain of 9.5 points to 1,446.7.

Monday's weakness among media issues was reversed with News Corp recouping 40 cents to A$16.70 while 10-cent gains were registered by Herald & Weekly Times at A$12.20 and John Fairfax at A$11. Queensland Press, however, suffered a 30-cent drop to A$18.10.

Buoyant industrials saw Bond Corp add a further 18 cents to A$2.50 in heavy trading, making for a two-day rise of 40 cents, while Amatil jumped 40 cents to A$9 and Adelaide Steamship rose 30 cents to A$14.40.

Banks were steady although National picked up 8 cents to A$5.68. Central Norseman among stronger golds jumped 30 cents to A$14.20

CANADA

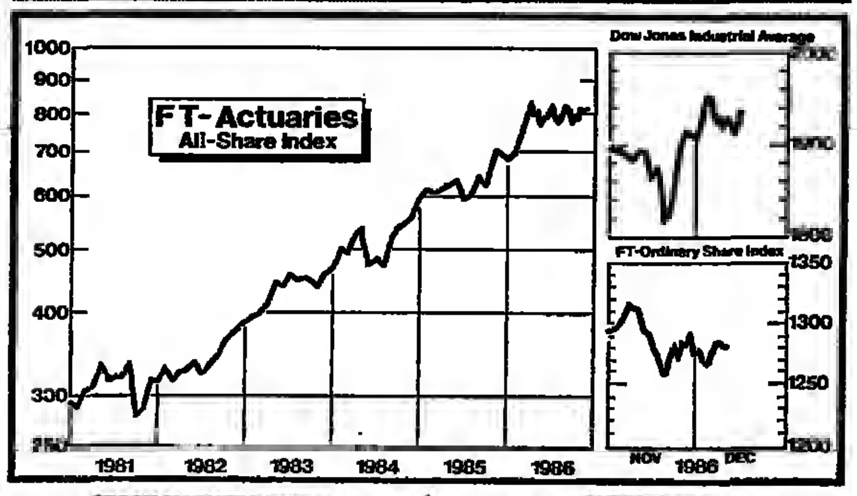
OIL AND GAS shares displayed some of the best gains in a mixed Toronto despite unease over the Opec talks in Geneva.

Shell Canada traded C$½ higher to C$26⅝, Ranger dipped C$⅛ to C$6¼ while Imperial Oil Class A dropped C$⅞ to C$49⅝.

Metals and mines were largely mixed with Noranda C$¼ higher at C$20¼ and Falconbridge C$⅛ ahead at C$16½.

Industrials proved one of the strong points in mixed Montreal that saw utilities lose ground.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Dec 16	Previous	Year ago
DJ Industrials	1,936.16	1,922.81	1,553.10
DJ Transport	833.33	830.10	723.31
DJ Utilities	212.40	209.98	171.01
S&P Composite	250.04	248.21	212.02
LONDON			
FT Ord	1,279.8	1,280.3	1,089.9
FT-SE 100	1,637.9	1,637.0	1,376.5
FT-A All-share	818.18	818.13	662.51
FT-A 500	894.86	894.95	725.37
FT Gold mines	316.6	313.2	259.8
FT-A Long gilt	10.53	10.49	10.46
TOKYO			
Nikkei	18,932.99	18,788.94	13,117.8
Tokyo SE	1,574.49	1,566.03	1,047.87
AUSTRALIA			
All Ord.	1,446.7	1,438.1	974.8
Metals & Mins.	701.1	691.9	469.6
AUSTRIA			
Credit Aktien	231.51	231.32	234.82
BELGIUM			
Belgian SE	4,064.42	4,049.96	2,896.87
CANADA			
Toronto			
Metals & Mins	1,965.20	n/a	2,071.00
Composite	3,030.60	3,026.1	212.02
Montreal			
Portfolio	528.34	521.51	141.71
DENMARK			
SE	—	—	232.37
FRANCE			
CAC Gen	413.40	414.30	252.9
Ind. Tendance	163.80	165.0	95.0
WEST GERMANY			
FAZ-Aktien	—	673.36	818.51
Commerzbank	2,053.10	2,033.60	1,847.9
HONG KONG			
Hang Seng	2,440.68	2,449.43	1,728.21
ITALY			
Banca Comm.	681.72	—	430.62
NETHERLANDS			
ANP-CBS Gen	280.40	284.0	240.8
ANP-CBS Ind	280.30	282.0	222.8
NORWAY			
Oslo SE	361.74	363.18	388.45
SINGAPORE			
Straits Times	880.32	883.95	644.05
SOUTH AFRICA			
JSE Golds	—	—	1,116.9
JSE Industrials	—	—	1,094.3
SPAIN			
Madrid SE	203.62	202.60	101.73
SWEDEN			
J & P	2,444.67	2,454.65	1,750.59
SWITZERLAND			
Swiss Bank Ind	589.10	588.30	554.5
WORLD	Dec 15	Previous	Year ago
MS Capital Int'l	354.40	353.7	253.2

COMMODITIES

(London)	Dec 16	Prev
Silver (spot fixing)	378.90p	379.80p
Copper (cash)	£933.50	£932.50
Coffee (January)	£1,787.50	£1,785.50
Oil (Brent blend)	$15.90	$18.05

GOLD (per ounce)

	Dec 16	Prev
London	$394.00	$394.25
Zürich	$393.75	$395.25
Paris (fixing)	$392.48	$393.20
Luxembourg	$394.00	$395.00
New York (Feb)	$395.10*	$398.40

CURRENCIES

(London)	US DOLLAR Dec 16	US DOLLAR Previous	STERLING Dec 16	STERLING Previous
$	–	–	1.4300	1.4325
DM	2.0185	2.0160	2.8875	2.8925
Yen	163.85	163.25	234.25	233.75
FFr	6.61	6.6125	9.4525	9.4725
SFr	1.7050	1.7000	9.4375	2.435
Guilder	2.2835	2.2800	3.265	3.265
Lira	1,398.5	1,396.5	2,000	2,000.5
BFr	42.00	41.95	60.05	60.10
C$	1.3795	1.3795	1.9725	1.9760

INTEREST RATES

Euro-currencies (3-month offered rate)	Dec 16	Prev
£	11 5/16	11 15/16
SFr	4⅝	4⅝
DM	4 15/16	4 15/16
FFr	8 1/16	6⅞
FT London Interbank fixing (offered rate)		
3-month US$	6⅜	8¼
6-month US$	6¼	6 7/16
US Fed Funds	6 7/16*	5⅞
US 3-month CDs	5.95	6.225
US 3-month T-bills	5.55'	5.64

US BONDS

Treasury

		December 16* Price	December 16* Yield	Prev Price	Prev Yield
6⅝	1988	99 29/32	8.282	99 31/32	8.265
7⅛	1993	100 9/32	6.958	100 2/32	6.96
7⅜	1996	100 23/32	7.114	100 20/32	7.136
7¼	2016	101 15/32	7.384	101 9/32	7.405

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index (Dec 16)	Day's change	Yield	Day's change
1–30	160.58	+0.34	6.90	−0.03
1–10	152.70	+0.16	6.60	−0.02
1–3	142.31	+0.03	6.28	+0.00
3–5	155.58	+0.13	6.67	−0.02
15–30	188.80	+0.94	7.87	−0.05

Source: Merrill Lynch

Corporate	December 16* Price	December 16* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	92.295	6.35	92.142	6.40
SCBT South Central				
10⅞ Jan 1993	106.375	9.496	106.25	9.522
Phibro-Sal				
8 April 1996	99.016	8.15	99.625	8.055
TRW				
6⅞ March 1996	103.625	8.178	103.50	8.197
Arco				
9⅝ March 2016	110.75	6.84	110.25	8.884
General Motors				
8⅛ April 2016	93	8.792	92.50	6.843
Citicorp				
9⅝ March 2016	101.25	9.248	100.50	6.322

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	100–15	100–16	99–30	99–25
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.45	94.47	94.44	94.45
Certificates of Deposit (IMM) $1m points of 100%				
Dec	94.00	—	94.00	94.05
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	93.64	93.67	93.61	93.75
20-year Notional Gilt £50,000 32nds of 100%				
Dec	109–10	109–23	109–10	109–08

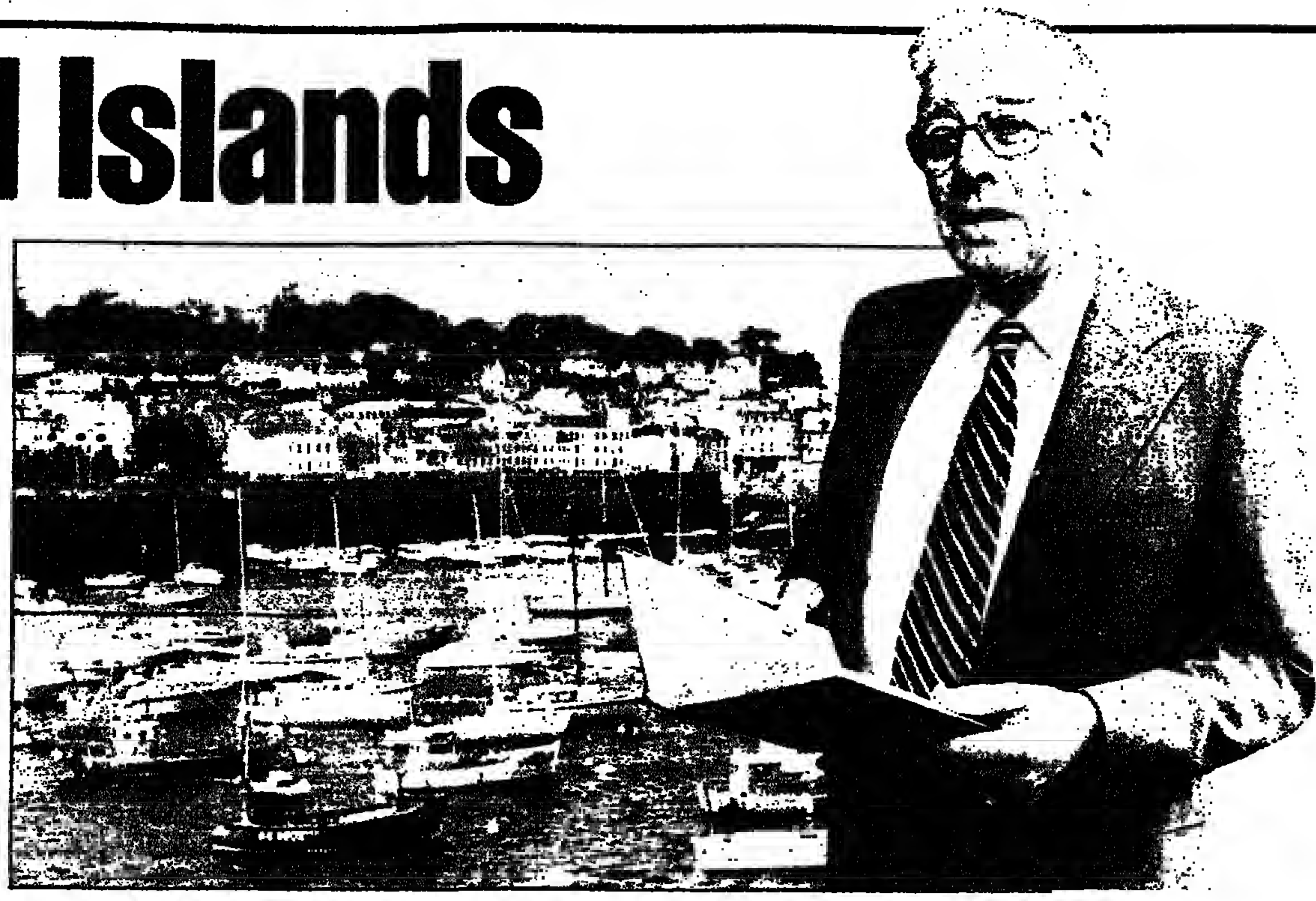
* Latest available figures

SECTION III

FINANCIAL TIMES SURVEY

Channel Islands

In contrast with Britain where many areas are wrestling with high unemployment and painful economic change, the bailiwicks of Jersey and Guernsey are pondering how to cope with their economic success as Europe's leading offshore financial centre.



"We must guard against becoming mesmerised by our own success," warns Sen Reg Jeune of Jersey. In the background: St Peter Port, Guernsey.

Facing a 'pressure cooker' economy

By Robin Reeves

IT IS unusual, to say the least, to hear a Chancellor of the Exchequer or Finance Minister warning his fellow countrymen against becoming smug about their economic success.

But this was the message last month to the people of Jersey, by Senator Reg Jeune, President of the island's States (parliament) Finance and Economics Committee, the local equivalent of a Chancellor.

"We must guard against becoming mesmerised by our own success. We are cocooned in so many respects from the world around us, from the world of strife, of unemployment, of party squabbles and of economic depression and decay," he said.

This was shortly before unveiling the budget which has increased tax allowances by 7½ per cent, public spending by over 11 per cent and also put an extra £10m into strategic reserves, for what Senator Jeune called "a rainy day."

The same could be said of neighbouring Guernsey. The island has experienced economic difficulties in the past, notably in its horticulture industry, but this year, its economic performance has exceeded all expectations. Income tax revenue (from a rate which has remained unchanged at 20p in the £ since 1960) has jumped by more than £5m and the originally forecast revenue surplus of £6.2m this year is now expected to be more than £13m.

Guernsey has also just commissioned an economic and social development plan from management consultants Peat, Marwick Mitchell which, says Mr Roydon Falla, president of the Guernsey States Advisory and Finance Committee, will be used as a foundation block for future planning of the economy.

Whereas large parts of Britain it self are wrestling with problems of high unemployment and/or depopulation and painful economic change, the Bailiwicks of Jersey and of Guernsey (which includes Alderney and Sark) with a combined population of some 138,000 are pondering how to cope with problems arising from their economic success.

The engine of prosperity is the development of the Channel Islands as Europe's leading offshore financial centre. An independent constitutional status—their loyalty is to the English Crown rather than the British parliament—combined with fiscal regimes sympathetic to business and the accumulation of capital have proved an important attraction to an ever widening range of banks and other financial institutions.

At the most recent count, there were 53 banks and other financial institutions in Jersey and 45 in Guernsey, holding between them bank deposits amounting to more than £40bn. A total of 450 offshore or international funds are now managed from the Channel Islands.

The net result of this influx, which has accelerated during the 1980s with the increasing liberalisation of international financial markets, has been the disappearance of the scourge of most other western economies—unemployment.

The Channel Islands are having to face up to the consequences of what Mr Colin Powell, the Jersey States' Economic Adviser, appropriately describes as a pressure cooker economy.

The Islands' notoriously strict immigration policies have a lot to do with the problem. Jersey's Regulation of Undertakings and Development Law, which controls the influx and expansion of businesses, plus the island's housing regulations, add up to an immigration control regime which is positively draconian in character compared with those of most other countries.

Guernsey's arrangements, though different in detail, are designed to achieve the same effect, a situation which led to a recent case against the island in the European Court of Human Rights brought by a couple who felt they were being denied residential status unfairly.

In spite of its tight controls, Jersey was shocked to discover in its latest population census undertaken last March that, largely because of the demands of the finance industry, the island's population had jumped to more than 80,000. This is an increase of more than 4,000 since 1981 and a threshold not expected to be crossed until the mid 1990s. In Guernsey, too, there has been an unexpected increase of more than 2,000 to more than 55,000.

All the signs are that the demand for labour is still rising, particularly from the financial sector. It manifests itself in growing competition for, and even poaching of, staff. A number of well-qualified personnel have been persuaded to move over from the public into the private sector in recent months, and there is talk of people being offered jobs, providing that they can find somewhere to live.

Relaxing immigration controls is regarded as unthinkable by all the islanders. The traditional rural environment would otherwise be soon destroyed, they say. Even the left-wing Jersey Democratic Movement, which has one representative in the otherwise non-party but essentially conservative (with a small c) Jersey States, supports a strict immigration policy. "Without it, we would turn into another Manhattan in no time," according to Mr Jimmy Johns, chairman of the organisation, who says that if he lived in England he would be in the Labour Party.

There are no other easy answers to the problem." Limiting the Island's attractions to business without removing the main elements of that attraction, namely political and fiscal stability, low rates of taxation, etc, is as difficult as trying to

Continued on Page :

IN THIS SURVEY

CHANNEL ISLANDS 2

The finance industry's growth

Little room for newcomers

THIS WEEK, on December 16 to be precise, Hill Samuel celebrated the 25th anniversary of its arrival on Jersey, the first merchant bank to set up following the island's decision to scrap its old usury laws which restricted interest to 5 per cent.

At that time, the bank was eagerly welcomed. A quarter of a century later, however, it would almost certainly not get in. The financial industry's growth has been such during that space of time that the main problem now is that it might begin to choke on its own success.

In Hill Samuel's case, the Jersey business earns something like 10 per cent of the entire parent group's profits. But although profits are still growing, the staff level has reached what is likely to be a permanent plateau at around 110.

Mr Martyn Chambers, a resident director of Hill Samuel (Jersey), says that productivity is the priority now. "There is a pressure on the industry to improve its performance," he observes. "It has to make the best possible use of its labour."

In the past, Guernsey has been easier for banks to get into than Jersey, and indeed the number of banks has increased during the past three years from 41 to 52. Credit Suisse, for instance, is a recent arrival. But this leaves Guernsey just about as full as its neighbouring islands.

"We haven't put up the shutters but we could be quite close to it," says Mr John Roper, a Bank of England official recently seconded as Commercial Relations Adviser with responsibility for the island's financial sector.

Top quality institutions from so far unrepresented countries such as Japan might get a sympathetic response, and there is a possibility that one or two of the UK building societies might seek representation, following the changes in UK legislation which allow them to expand the scope of their business.

But the cost hurdles would be high for any further newcomers. Previously Guernsey has been willing to issue essential housing licences to incoming bank managers but from now on they will have to rent or buy on the open market, at prices of anything up to £500,000.

Those already in place are prospering. Mr Tim Betley runs the Guernsey subsidiary of the Royal Bank of Canada and claims to have the biggest international bank, with 130 people and approaching £20m in capital and reserves.

His investment management side administers assets of over $1bn on behalf of clients in 80 countries around the world. The Middle and Far East are major sources of business, with results flowing from a persistent sales effort.

Despite the underlying buoyancy of offshore finance, Mr Betley never finds it easy to predict in advance where growth is likely to come from. "As one door closes, another opens," he says.

Like many others in the Channel Islands' financial community, however, he is short of human and other resources.

"In our section of the industry on the island there just aren't enough trained people," he complains. He is looking for systems that could reduce the need for extra staff.

Guernsey's bank deposits continue to grow fast, climbing from £5.84bn to £7.21bn last year and showing a similar trend in 1986 according to Mr Roper.

Somewhat surprisingly Jersey's bank deposits fell slightly from £24bn to £23bn in the year to June, though this is officially explained in terms of a decline in low margin syndicated loan business booked through the island, in line with a general international fall-off in this type of business.

Within the overall reduction, the more profitable types of deposit-based business, and also the fee-based activities, have continued to expand. Profits of deposit taking institutions (other than the clearing banks) rose by more than a quarter to some £88m in 1985, and the financial sector as a whole earned more than £120m pre-tax. For comparison, Guernsey's banking profits were £38.8m in 1985.

Kleinwort Benson is one of the handful of banks (apart from the UK clearers) that operate on both Guernsey and Jersey.

"You have the opportunity of using the island in a particular way," says Mr Richard Le Sauteur, the KB manager who is currently president of the Jersey Bankers' Association.

He regards the staff shortages as "something we've lived with for 10 or 15 years." The response, he argues, is to funnel development into areas with low labour requirements. At any rate, KB does not encourage deposits of less than £20,000.

The biggest single banking operation in the Channel Islands is claimed to be Barclays' Jersey operation. The main branch, says Mr Terry Lavery, its director, is actually larger, at 300 people, than all but two of Barclays' mainland branches (both in the City of London). There is also a big associated trust company.

Like most of the financial institutions in Jersey, Barclays looks a long way for its business. Mr Lavery, who travels extensively in regions such as the Middle East, where there are concentrations of British expatriates, reckons that at least 50 per cent of his personal customers are outside both Jersey and the UK, while the proportion could be more like 80 per cent for corporate business.

He sees great scope for Jersey as an offshore banking centre, largely because of its political stability.

"There isn't a banking centre in the Far East that's capable of handling the business," he remarks, echoing the sentiments of other Jersey financiers who have also benefited from the political uncertainty in Hong Kong, in particular.

However, he emphasises the need to maintain the integrity of the island. For instance, he does not encourage tax evasion by UK mainland depositors seeking to avoid the composite rate tax (CRT) now charged at source on personal deposits. But Mr Lavery argues that it is legitimate for non-UK residents to use the Channel Islands as a buffer zone to avoid the need to fill in forms to reclaim CRT.

Other locals, too, suggest that one reason for the current interest by the Swiss banks in the Channel Islands is to secure a signature-free passage for their highly discreet clients into the London financial markets.

According to Mr Colin Powell, Jersey's Economic Adviser, the financial sector accounted for 35 per cent of the island's gross domestic product, directly and indirectly. That put it on a par with tourism, but the likelihood is that finance will move in front in 1986, contributing a 36-37 per cent share.

One particularly rapidly growing activity is offshore fund management, with Jersey's total funds under management climbing from £2.5bn to £3.5bn in the year to June.

If finance continues to grow fast, however, there would be a risk of the economy becoming unbalanced and unduly vulnerable to financial or political setbacks elsewhere.

Moreover, any sort of growth is hard to handle given the minimal level of unemployment, and given that the local political obsession with overpopulation rules out immigration as a solution.

A crude cap on the sector's size would be dangerous, because it might force existing institutions to look elsewhere, and might fossilise the financial sector instead of encouraging the flexibility vital for an offshore centre.

As the recent official economic report put it, the problem facing the States and the island is how to respond to the growth of the financial sector without killing the goose that lays the golden eggs.

The preferred solution is to encourage financial institutions to shed their labour intensive "back offices" doing routine work and go more ambitiously for high value added business.

"There are a number of ways in which the productivity of the industry could be raised," says Mr Powell. "That's where we would hope to go in the future."

Bankers are concerned, however, that an attempt to go up market will require greater skills and specialiations that are rare on the island and could lead to a new round of poaching and top level salary inflation.

It seems likely that in the event it will be the rapid advances in information technology that determine the way in which the financial industry develops in the Channel Islands.

Improvements in telecommunications have made it possible for local financial institutions to keep closely in touch with clients and markets on a global basis—although major spending will be required by the telecommunications bodies to satisfy potential demand.

In particular the City of London's "Big Bang" changes have made it possible for investors in the islands to hook up directly to the Stock Exchange's electronic market place. Distance is no longer much of a barrier.

A straw in the wind could be the recent arrival in Guernsey of Dean Witter (Canada), a stockbroking firm which has simply transferred itself from London to the island with the intention of carrying on its international business.

The firm's managing director, Mr Andrew Lampert, says that with the aid of a packet switching link to the Toronto head office and good public telephone lines to the UK, and to Germany, France and Switzerland where there are also many clients, it is just as practical to operate from Guernsey as from the City of London.

The circumstances may be unusual; the firm has just two principals, who presumably find Guernsey's 20 per cent income tax rate highly attractive, and there are no Continental branches whose sales territories might be threatened by a Channel Islands office.

No other North American broking firm has yet arrived in the islands, probably because local demand alone could not sustain an office.

But just as the easy air links with the islands have already made them popular bases for high earning actors and TV personalities, so the communications revolution could make it possible for high rolling financiers to carry on the sort of business which has previously only been practicable in onshore centres.

Barry Riley

Two of the Channel Islands' financial experts: Colin Powell (left), Jersey's economic adviser, and Roydon Falla, president of Guernsey's Advisory and Finance Committee. Mr Powell reports that Jersey's financial sector accounted for 35 per cent of the island's gross domestic product, putting it on a par with tourism, with the likelihood that it would move in front this year with 36 to 37 per cent.

Investor protection

There must be a general tightening of rules

THE PASSING of tha UK Financial Services Act presents a challenge to the Channel Islands. Although the islands do *not sell* a very large volume of investment products to the mainland these days, because offshore funds have few, if any, advantages at present to the UK investor, this might change in future if the fiscal regime is altered on tha mainland. Fund managers will want to retain the ability to market and this is threatened by the Act.

More generally, too, the islands cannot afford to appear to be ignoring the tightening of investor protection elsewhere, in case they should he perceived to be lax by comparison, and therefore perhapa risky.

All the same, there is a delicate balance to be observed. Too mnch regulation, clumsily administered, conid drive business away to alternativa offshore centres.

Moreover the islands' supervision departments are thinly staffed, and the resources are not there to set np and operate elaborate regulatory structures. After all, tha booming financial sectors are already attracting away many civil servants with tempting higher salaries.

Investment is at present a particularly *fast-growing sector*. Funds controlled by Jersey fund managers are estimated to have grown from £2.5hn to £3.5hn in the year to June (though tha jump is partly explained by appreciation of existing funds rather than tha sale of new units).

Figures are not available for Guernsey, perhaps a significant omission, reflecting the tbinness of existing regulation, hut there are 430 mutual funda on the island, and the aggregate may well he several times Jersey's.

Both islands are now preparing legislation, with a view to enacting it once the details of tha UK regulations have becoma clear (tha rules of the Sacurities and Investments Board have yet to be finalised).

Jersey is proposing a Collective Investment Funds Law to replace its rathar inadequate existing legislation. The aim is to have sufficiantly tight regulation that the SIB will accept Jersey as an approved centre, with eqnivalent standards to those in the UK. Alternatively, individnal funds would have to make *separate* applications, which conld be expensive and time-consuming.

"The island wonld like to have designated country status if it's at all possihle," says Mr Richard Syvret, Jersey's commercial relations officer. "But it is also anxious not to lose the flexihility which it has at present."

Meanwhile the Guernsey states Advisory and Finance Commitiee has heen studying the prohlem and has also proposed legislation to cover collective investment schemes.

In fact Guernsey is setting up its own Financial Services Commission which is likely to be responsihle for the licensing of persons and companies, and for tha day-to-day supervision of controlled investment husiness.

According to Mr. John Roper, Guernsey's commercial relations adviser, talks are likely to be held with UK authorities fairly soon, with the aim of achieving recognition for the island as an approved centre. But there could be prohlems in taking on board ghe UK rule-book, for exampla in the area of *compulsory compensation* schemes.

A good deal of uncertainty appears to exist on both Guernsey and Jersey. For instance, Mr. Alistair Laurie, who heads Save-and-Prosper's £500m Jersey operation, and is a leading member or the Jersey Fund Managers Association, says that *many managers* would prefer a fund-by-fund approach, although the whole question is "under review."

Contacts are being maintained with other fund managers' associations in offshore centres like Hong Kong. The suggestion is that fund managers could choose which funds they wanted to put forward for UK authorisation, and this would be quicker than walting for new national legislstion.

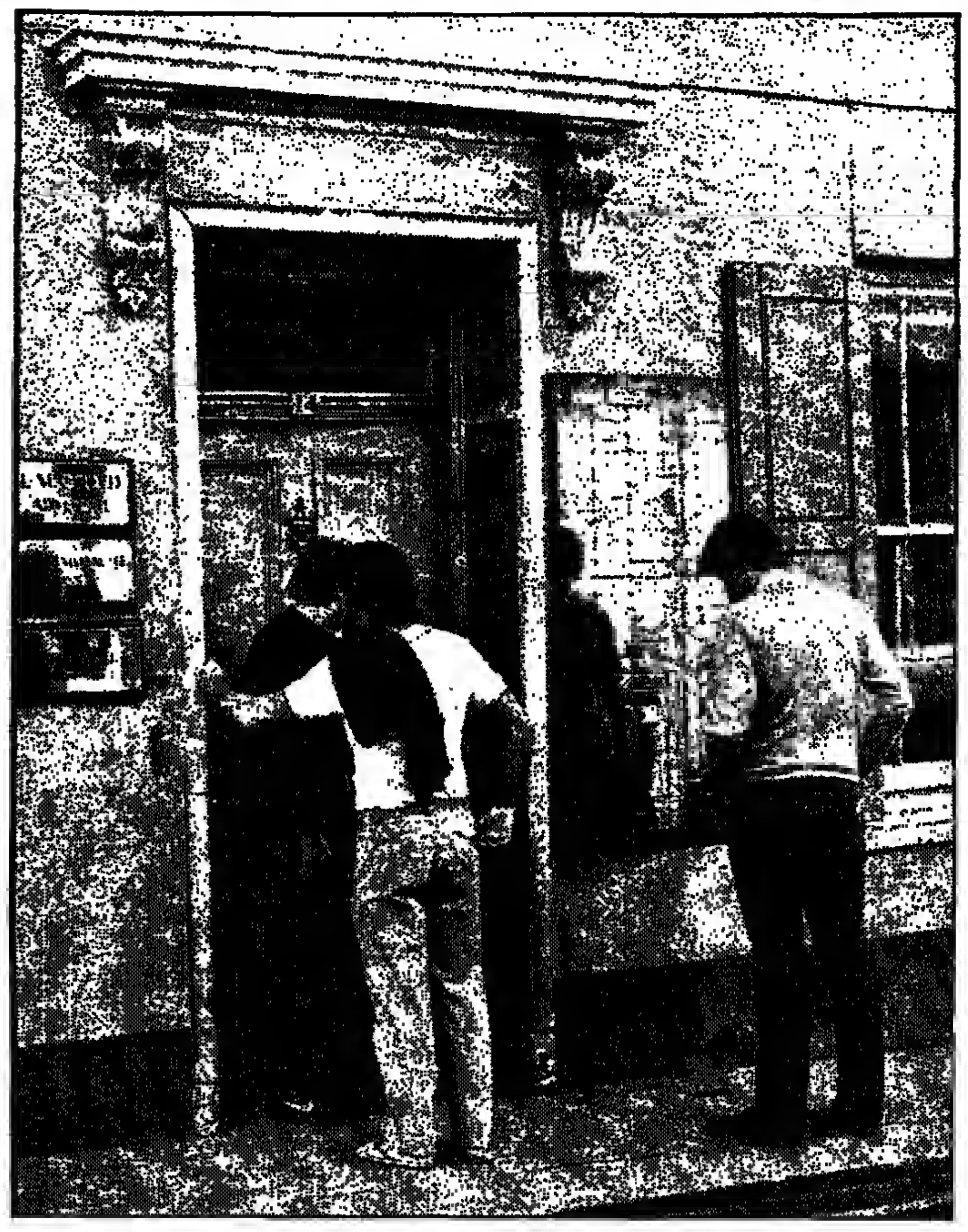
The hackgronnd to all this is, however, that business is very good for Channei Islands fund managers. Tha difficulties placed in the way of incoming management companies are bound lo increase the scope for the managers already in place, and there have been a large number of new fund launches.

It is true that the slump in the oil price has had the effect of cutting demand in some expatriate-rich regions such as the *Gulf*, and has noticeably shifted such investors in the direction of short-term rather than long-term products, because of their increasingly uncartain pay and employment prospects.

But at the sama time, increased uncertainty in tha Far East has given greater credihility to tha Channal *Islands-based* salesmen who are placing the emphasis on political stability.

Barry Riley

John Roper, Guernsey's commercial relations adviser, talks of problems in taking on board the UK rule book



Visitors looking over some of the brass name plates of companies registered in the Channel Islands. Jersey's tally alone amounts to some 25,000 companies.

Facing a 'pressure cooker economy'

Continued from Page 1

encourage business into an era which is essentially unattractive to business," notes Mr Powell.

In search of ways to reduce the pressure on the economy, he has suggested a policy which encourages low profit/labour intensive finance industry activities to relocate elsewhere. The island could also accept a reduction in its guest house accommodation and even apply its existing controls over commercial activity even more tightly. But the debate is not over yet.

Work permits are not seen as the answer, because they would not restrict the number of jobs on offer, only the number of people allowed to fill them.

"What is required is a difficult balancing act—to apply controls in such a way as to restrict population growth, but to do so not by presenting a totally negative picture of no opportunity for development of new ideas and businesses upon which the future prosperity depends, but by indicating that there are certain activities that will be favoured and others that will be discouraged," Mr Powell said.

If nothing is done, there is a danger that the demands of the financial sector could unbalance the rest of the Channel Islands economy, denuding it of resources and creating inflationary pressures which would render the other main legs of the Channel Islands' economy—tourism, manufacturing and horticulture—uncompetitive.

That would be disastrous. The Channel Islands authorities were well aware of the volatility of the financial services industry and its vulnerability to political change, bad publicity or even just swings of fashion, long before the recent spate of newspaper headlines about insider trading. In an uncertain world, it is simply not in the island's economic interest to become overdependent on one sector.

Part of the success undoubtedly stems from offering a stable business environment. They also recognised that it is in their own interest to ensure it is as well regulated as in the UK. Parallel legislation to prevent the laundering of ill-gotten financial gains, such as profits from international drug dealing, is planned.

But there are many influences beyond the Channel Islands' control and which make it foolish for them to put all their eggs in one basket. In October, they were visited by two longstanding Labour MP critics of their constitutional status, Mr Alf Dubs and Mr George Foulkes, who again question whether it would survive the return of another Labour government.

Since then, Mr Roy Hattersley, the Shadow Chancellor, has denied that Labour has any plans for altering the present relationship of the islands with the UK. But, along with the other problems of economic success now being enjoyed by the Channel Islands, it remains a *small*, but nagging worry.

Reform of company law is well in hand

FOR AN island with a population of around 80,000, Jersey's tally of some 25,000 companies is impressive, but the sheer size of the list has underlined the inadequacy of the existing basis of company law, which essentially dates back to 1861. The most recent amendments were made nearly 20 years ago.

Jersey is, in fact, well down the road to company law reform, having issued a draft statute on which comments from interested parties were requested, to be received before the end of last month.

The legislation could become effective late next year, and among the likely changes is the introduction for the first time of a distinction between public and private companies, together with proposals for the States to be able to regulate prospectuses.

"The overall aim is to improve this part of the island's infrastructure," says Mr Richard Syvret, Jersey's Commercial Relations Officer, who has been involved in drafting the proposals. "The time has come for the legislative base to be brought up to date."

The new draft Companies (Jersey) Law originated in a study commissioned from a retired senior partner of the law firm Herbert Smith in 1985. A first draft of the law was produced in September 1985 and a second draft was subsequently published for comment.

It was essential that the statute should cover both the needs of local trade and the requirements arising from the island's role as an offshore finance centre.

Although Jersey is keen to retain its distinctive legislation, the drafting committee has also been mindful of the need to keep broadly in line with the company law of the UK, and the 1985 Companies Act on the mainland was used as the drafting base.

Considerations

However, the island will continue to take a more relaxed view of the regulation of private companies, which will be subject only to voluntary filing and auditing provisions.

Public companies will be another matter. As in the UK, such companies will be required to maintain adequate accounting records, and to file audited annual accounts on a prescribed basis with the registrar of companies.

For Jersey, of course, the large number of companies formed within the island but operating outside it is an important factor. Some 10,000 of the 25,000 existing companies come into this category.

Companies trading within Jersey come within the income tax net, albeit at the modest standard rate of just 20 per cent. But the externally operating concerns are known as "corporation tax" companies because they are liable only to a flat rate of tax, which has been £300 but is to be raised to £500.

The same rate is to be charged by the UK's other main offshore centres, Guernsey and the Isle of Man, which have agreed to standardise at the higher level over the next year or so.

These offshore companies should therefore yield a useful revenue of £5m a year to Jersey, considerably more than that enjoyed by Guernsey, which has less than half as many companies registered.

The activities of the corporation tax companies can, however, sometimes be a cause for concern. There was relief on Jersey last month that the private offshore company involved in the Geoffrey Collier insider trading scandal happened to be registered in the Caymans rather than the Channel Islands, which might not have helped the islands' reputations.

Richard Syvret points out that consent is required for incorporation. A degree of selectivity is imposed in order to keep the island respectable.

For instance, Jersey is not interested in harbouring non-resident trust companies which carry on business elsewhere. These are regarded as incurring risks for the island but bringing no benefit.

Meanwhile, Jersey is ready to co-operate with the mainland investigators in areas such as insider trading.

Barry Riley

Picture by Trevor Humphries

St Peter Port, capital of Guernsey. The island has around 150 insurance companies

Guernsey's insurance industry

Rounding up the captives

THE TWO major Channel Islands have curiously different attitudes to insurance companies. The sector is cultivated in Guernsey, which has just appointed its first insurance supervisor, Mr Stephen Butterworth, but it is given scant encouragement in Jersey.

In fact, insurance companies were not permitted to be set up in Jersey at all until 1983. Since then, offshore companies have been permitted, but only to allow financial groups to offer a broad range of services. Generally speaking Jersey leaves insurance to Guernsey, on the grounds that Guernsey has a big start, and that there is more than enough business for Jersey to seek elsewhere.

So far Guernsey's growth in insurance has been achieved without much in the way of infrastructure. But after many years of discussion, a new insurance law has been passed and will come into effect at the end of this month. Companies will then have two months to register.

Until the registration process is complete, the actual number of insurance companies already on the island will remain unclear, though the best guess is around 150.

This puts Guernsey in third position in the offshore league behind Bermuda and the Caymans (where Mr Butterworth was deputy insurance supervisor before being recruited to St Peter Port).

Mr Butterworth sees a buoyant insurance industry in Guernsey, with a number of new applications in the pipeline. On the other hand he thinks there may be a handful of existing companies which will not register because they will be unable to meet all the requirements of the new Insurance Business (Guernsey) Law, 1986.

The legislation provides for, among other things, solvency margins, minimum share capital and local resident management.

Stephen Butterworth, newly-appointed insurance supervisor in Guernsey

Viewpoints

Thus companies must maintain a solvency margin of 18 per cent for the first £5m of premium income, and at least 75 per cent must be invested in "approved assets" although these include a broad range of internationally quoted equities and Eurobonds as well as liquid assets such as bank deposits.

Local insurance professionals enthusiastically welcome the new law. "We are looking forward to it," says Mr Ian Daish, general manager of Transglobe Underwriting Management (Guernsey). "It will improve the technical image of Guernsey."

Nearly all the insurance companies on the island are so-called "captives," that is, companies that underwrite solely for parents, which may be big industrial companies.

However, Transglobe, which claims to be the biggest management operation of its kind in the Channel Islands, handling gross annual premium income of over £60m, also manages several fully-fledged offshore companies dealing extensively with third parties.

Another leading practitioner, Mr John Parkinson, runs Transnational Risk Management, another of the dozen or so management companies on the island. He is the chairman of the Guernsey Insurance Company Managers Association.

"I see 1987 as being quite a boom year for companies here," he says confidently. "Judging by the level of inquiries there will be another 20 or 30 companies arriving during 1987."

Business is being stimulated by the sharp rises in insurance rates in many classes, and by the actual unavailability of full cover in some classes. Professional indemnity, for instance, is a fast-growing field.

Captive insurance companies are seen as being almost ideal business for Guernsey, bringing in useful revenue and taxes to the island but only requiring the direct employment of 2 to 2½ people per company on average.

Proximity to the London insurance market is seen as a special feature, whereas Bermuda and the Caymans are out of the time zone and are geared to serving the needs of the American market.

So the future looks bright, although some management companies are wary of the island's capacity problems—the shortages of staff and office space are aggravated by competition from the banking sector. Some are therefore hedging their bets by setting up operations on the Isle of Man.

"Some captives need to employ 20 to 30 people. They are better off on the Isle of Man," says Mr Parkinson.

Offshore life assurance is generally less well developed than general insurance, but an interesting development in the life field came last May with the launching of Nordben, a life and pension company owned by four insurance companies in Finland, Sweden, Denmark and Norway.

Aimed primarily at Scandinavian expatriates, the policies structured to meet Scandinavian requirements, the venture illustrates the attractions of the Channel Islands to Nordic companies as an offshore centre.

On the basis of clients like this, and work for local and offshore pension funds, consulting actuaries Bacon & Woodrow now have a thriving four-partner practice in Guernsey, dating from 1979.

Partner Mr Rodney Benjamin anticipates that the insurance legislation could produce several new clients, given that life companies will be required to obtain professional advice, but non-life captives are generally harder to reach.

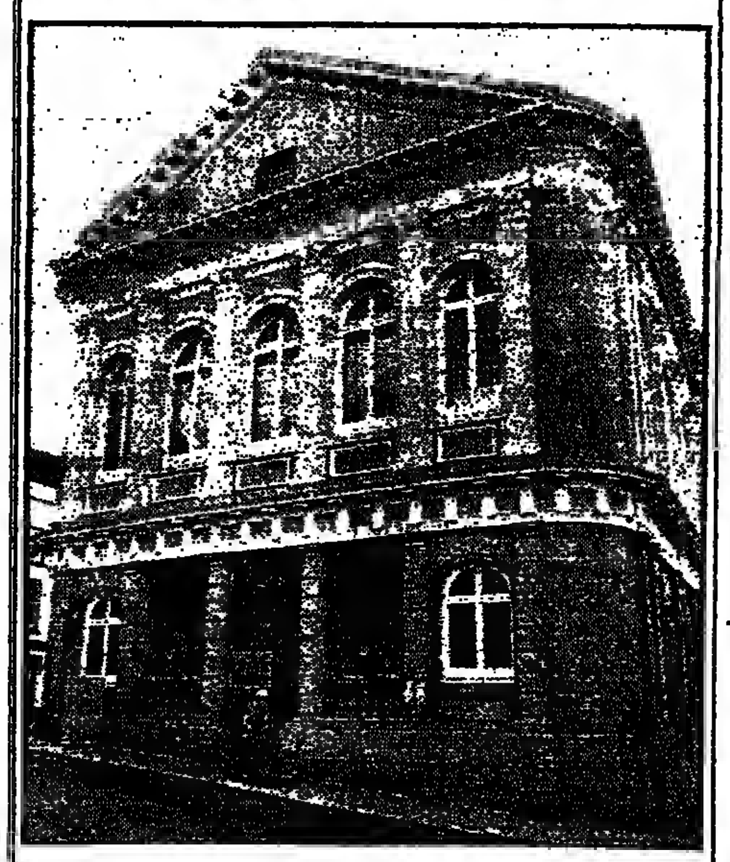
"The captive market has taken a lot of persuading of the need for actuaries to get involved," he observes. "It would require something serious to go wrong before we would be welcomed wholeheartedly."

Meanwhile, Mr Stephen Butterworth, after only a few weeks in his job, has been finalising the new application form which insurance companies must use when setting up in Guernsey.

The new registration process will allow insurance companies to be identified, and comprehensive statistics produced for the first time. But it will be the end of next year before all the existing insurance businesses set up as corporation tax companies (which are not required to disclose their activities) will have to complete the registration process.

Until then, the precise size of the Guernsey insurance industry—estimated to generate some £200m in annual premiums—will remain a matter for conjecture.

Barry Riley



Picture by Trevor Humphries

The States Chamber offices in St Helier, Jersey

Population and immigration issues

Hard political decisions ahead

POLITICIANS in the islands accept that they will have to take some unpalatable decisions in the light of this year's census figures, which show that since 1981 Jersey's population has grown by 3.2 per cent to 80,212 and Guernsey's by 4.1 per cent to 55,482.

The results came as a particular shock in Jersey, where 80,000 was the limit expected to be reached by 1997. Guernsey, too, was dismayed to find that the figure of 60,000 projected for the year 2010 now appeared to be only a few years ahead.

Although detailed analyses of the census figures have yet to be produced it is recognised that the population increase has been due almost entirely to immigration and reflects the rapid economic growth generated by the offshore finance industry.

It is therefore the price paid for success. As Senator Ralph Vibert, president of the Jersey Policy Advisory Committee, told local MPs: "The island can be said to be lucky to have such a problem."

The reason why the politicians face hard decisions is that the people of Jersey and Guernsey do not want to see their islands becoming even more crowded than they are. The pressures are already beginning to show in rising land and house prices, stalled traffic and the mounting cost of public administration.

At the same time, however, the Channel Islanders have grown accustomed to a comfortable standard of living. So the vital question is where to strike a balance between maintaining prosperity and preserving a pleasant, peaceful and healthy environment.

The conservationalist lobby, represented by such bodies as Concern in Jersey and the Guernsey Association, would like to see a much tighter control over immigration, even if this means putting a sharp brake on economic growth.

On the business side there have been appeals not to panic or take rash steps that might easily put the economic boom into reverse—perhaps leaving the islands with hundreds of younger people educated and trained for professional jobs that no longer exist.

One managing director has said: "Once the international community got the idea that the Channel Islands were discouraging business and found that the Isle of Man, say, was a more welcoming place, people would start to flood there instead."

Mr John de Putron, a chartered accountant who heads the Guernsey Parliament's Population and Migration Committee, admitted: "It needs the wisdom of Solomon to find the right solution. What one person will think of as being right, another won't. It's a no-win situation."

The options are limited, especially as the islanders have to keep a wary eye on the European Court of Human Rights, which has already had Guernsey housing law cases referred to it, and on Westminster, where two Labour Front Bench MPs, Mr George Foulkes and Mr Alf Dubs, keep close watch on the islands' use of their independence.

Full-scale immigration control, with searching checks on arrivals from the UK mainland, is regarded as a non-starter by the island authorities, although some residents would clearly welcome it.

The Channel Islands are part of the UK common travel area and any unilateral action to change that—even if it were constitutionally acceptable—might, it is argued, bring retaliatory restrictions on the islanders' historic freedom to enter the mainland.

Such a step would also rob the islands of their "no passport" attraction for UK holidaymakers and would be costly and cumbersome to administer, it is pointed out.

Jersey already has a powerful instrument that could be used more strongly in its Regulation of Undertakings and Development Law, an unusual piece of legislation brought in specifically to try to curb immigration by limiting the number of jobs created.

At present the law is used to stop outsiders setting up businesses in the island and to control building development. If necessary, it could also be used to restrict business expansion locally, although this could lead to Jersey-born people being unable to start businesses in their own island.

The islands' housing laws, originally designed to reserve lower-priced housing for the inhabitants, have developed into a form of immigration control, since companies have to prove that their imported staff are "essential" before they can live in a local house or flat.

These licences have been getting harder to obtain. This is a matter of concern to the finance industry, which, despite efforts to train residentially qualifed staff, still needs to fill senior posts from outside.

Licences could become even scarcer, because the question of who is really "essential" to the community will inevitably figure in the coming debate about economic growth versus the environment.

A measure that many people in Jersey and Guernsey think is needed—among them Senator Reg Jeune, president of the Jersey Finance and Economics Committee—is the introduction of work permits. At present, Alderney is the only Channel Island to have such a system, but the Jersey States recently passed the necessary enabling legislation and Guernsey will almost certainly be considering this step.

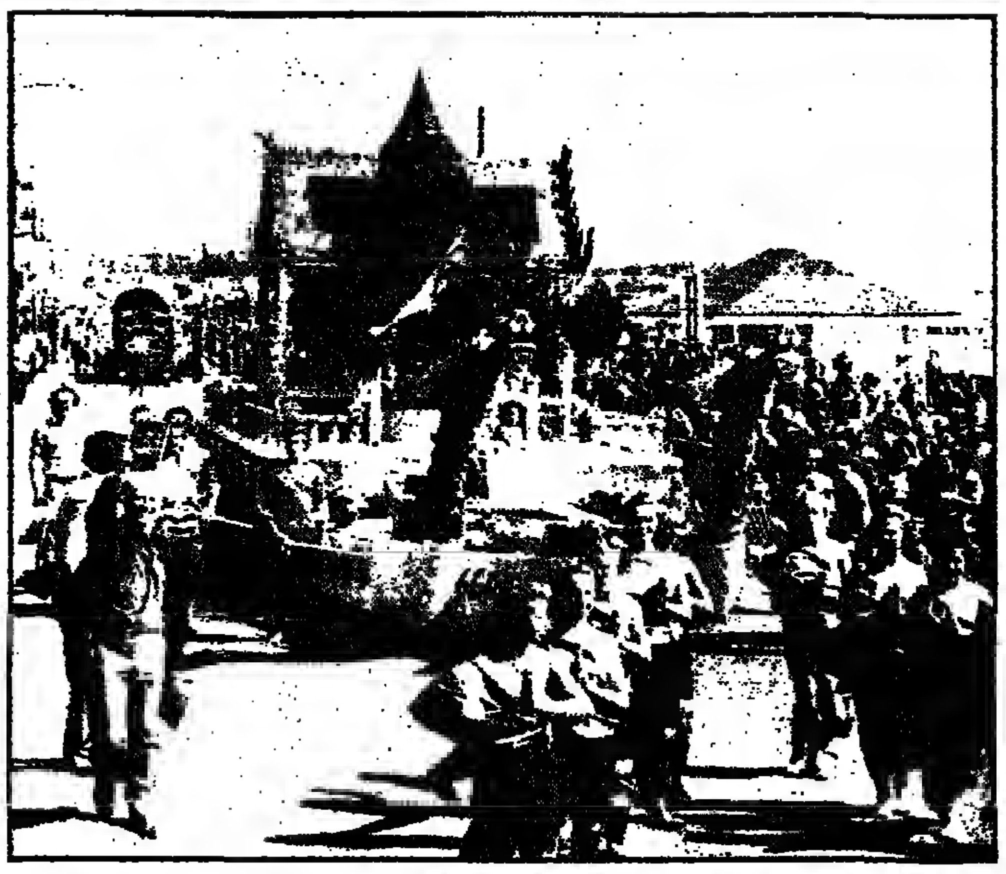
Some business leaders insist that in the present situation of almost full employment work permits would have no effect on immigration—or, if they did, it would be at the expense of creating a labour shortage and inflating salaries and wages.

At the other end of the social spectrum, the Jersey Parliament recently rejected a proposal to put a temporary ban on admitting rich settlers (who now, according to one firm of accountants, need to have assets of at least £1,500,000 to gain entry), although the present "quota" of around 15 a year could well be reviewed.

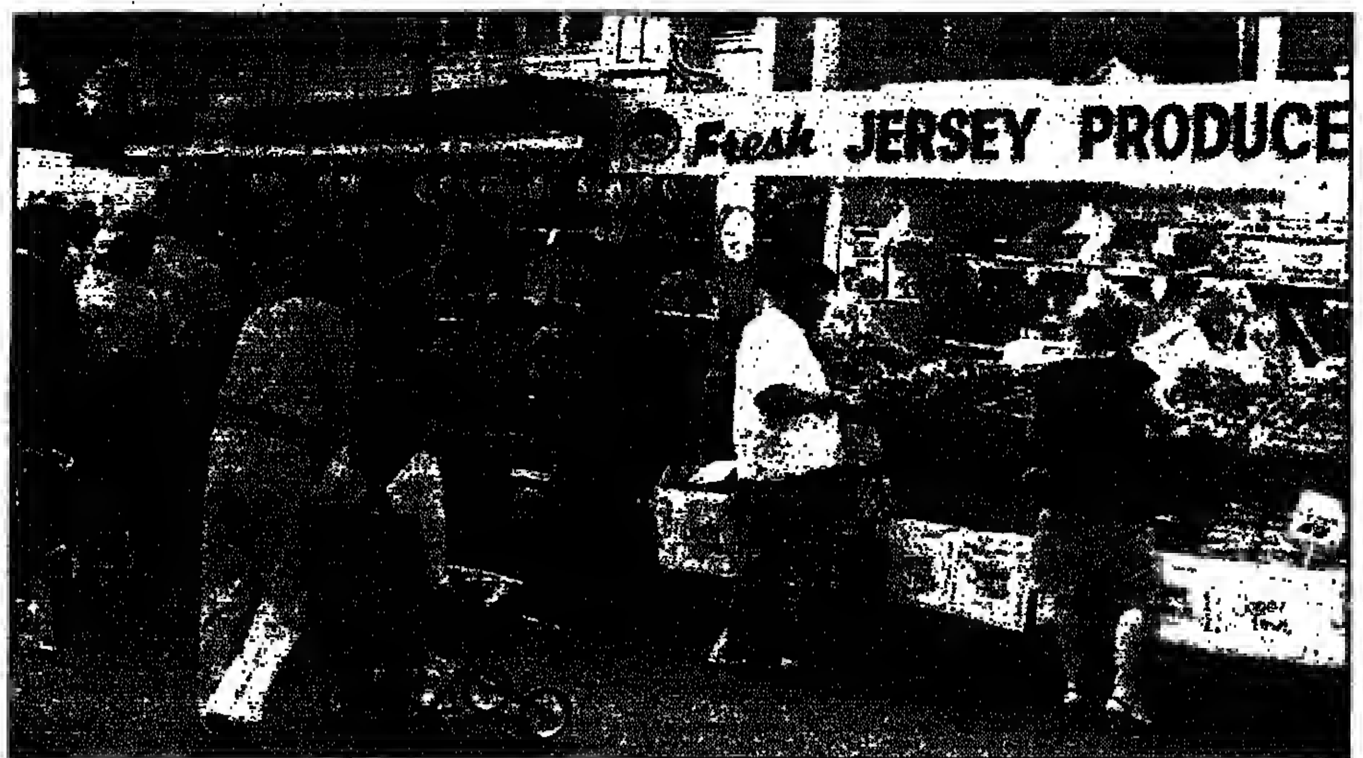
Exactly how the islands plan to solve their immigration problems will be known when the Jersey Policy Advisory Committee reports back early in the New Year and the Guernsey Population and Migration Committee some time before next summer.

Mr John de Putron says frankly: "Either we go for all-out economic growth, with the strains that puts on population, housing and services, or we decided to keep down the numbers, with the strains that puts on individual businesses. The time has come when we have got to face up to the problem."

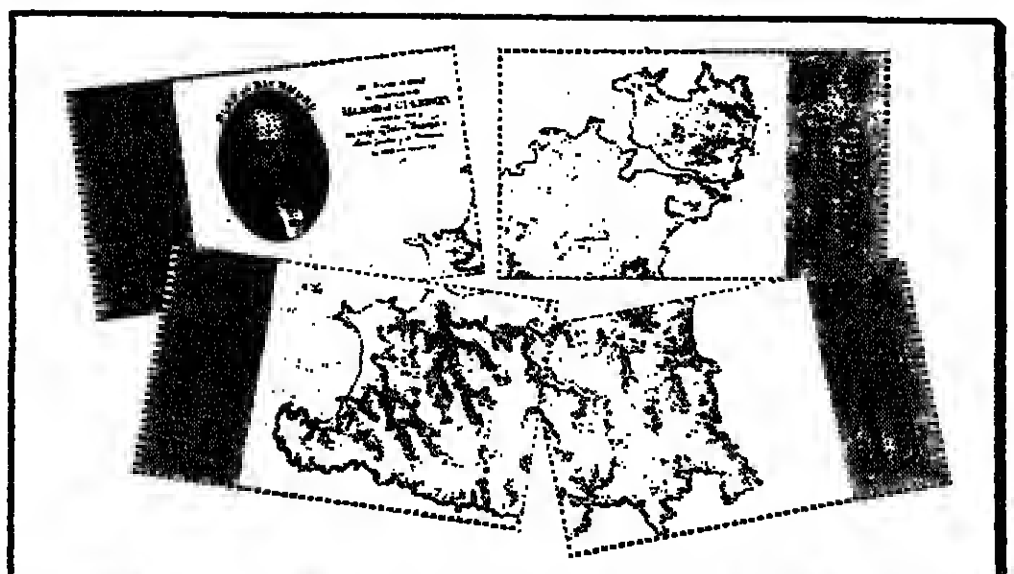
Edward Owen



Carnival time in Jersey—but the pressures of success are also beginning to show.



Shoppers at St Helier market. Channel Islanders have grown accustomed to a comfortable standard of living.



To mark the bicentenary of the first accurate map of the island, the Guernsey Post Office is issuing on February 10 a reproduction of the map, "quartered" into four stamps of different valnes.

The 1787 chart was prepared by Chief Surveying Drangbtsman William Gardner on the orders of the Duke of Richmond, the Master General of His Majesty's Ordnance, at a time when Britain was preparing to defend the Channel Islands against a threatened French invasion.

Tourism development

Five-year plan is commissioned for the industry

A WARNING that Jersey's tourism industry could slide into decline unless it "upgrades its product," becomes more aware of competitors and external developments, and targets its marketing more effectively has just been delivered to members of the Jersey Hotel and Guest House Association.

It has come from the management consultancy division of Deloitte Haskins and Sells in a report commissioned by the association last August amid mounting concern over a low level of forward bookings and stronger competition from the international tourism industry.

Deloittes were asked to review the performance of and prospects for the industry.

A further report is on the way. The States (parliament) of Jersey Tourism Committee has just appointed the international tourism management consultants Pannell Kerr Forster Associates to prepare a five-year development plan for the industry.

Tourism, which contributes some £200m a year to the Jersey economy and still accounts for 37 per cent of the gross domestic product, has felt the poor weather and aggressive promotional battles among the major UK tour operators over the past two years.

Guernsey is more optimistic. Its economy has a larger manufacturing and horticultural base so that tourism, contributing about £70m a year, is responsible for only about 25 per cent of the GDP.

A sign of the times has been a significant reduction in the number of traditional boarding and guest houses as their owners either find more lucrative employment in the finance industry or improve their facilities to provide high-class self-catering rental accommodation.

Jersey has just sanctioned an increase in the quantity of self-catering accommodation permitted to compensate for this increase.

The recent upheaval in shipping services between the islands and the English mainland has caused an additional uncertainty. Over the past two years there has been an historic shift in the pattern of travel to and from the islands—more people now fly than go by ship.

Even so, the ferry services remain vitally important and tourist industry leaders are anxious to see secure arrangements re-established as quickly as possible.

As many as 23 tour operators specialise in Channel Island holidays. The archipelago is also lucky to enjoy a wide range of air services, with direct flights to and from 31 national and regional airports.

The traditional strength of the Channel Islands has been their appeal and special character within the UK domestic tourism market. Mr Michael Walden, Guernsey's Director of Tourism, makes the point that the islands have always offered a variety of experiences rather than being simply seaside resorts.

Even today, Guernsey is only 20 per cent dependent upon the package tour industry and likes to keep it so. Were it to open its airport to holiday air charter jets (all jet aircraft remained banned for environmental reasons), it fears it would undermine the viability of the existing airlines providing a year-round service to the island.

Jersey is less averse to increasing its package tour business. But the Deloittes report sees future prosperity lying in its promotion as a distinctive destination rather than a resort for the masses.

It has the assets to please the discerning package visitor and the independent holiday maker. "We believe that if it can take action to meet new competition and demand, Jersey can assure itself a successful future in tourism," says the report.

The report naturally emphasises the need for investment to improve facilities and in some instances this is already taking place. The Seymour Hotels group is currently spending £1.5m to improve facilities in two of its five hotels, while Jersey's Hotel de France has been spending over £8m to create an exhibition centre, new bedroom wing, a health complex and squash courts.

It also recommends a far more vigorous and competitive marketing effort both through the introduction of more flexible booking and discount arrangements and the development of special and activity packages designed for specific groups of customers.

A current characteristic of Channel Islands tourism is the high proportion of repeat business it enjoys. About half the UK visitors each year give as their reason for choosing Jersey or Guernsey the fact that they have been there before and like it.

For French and other foreign visitors the main reason given is curiosity, but personal recommendation by friends and relations is the second most important reason.

It adds up to both a strength and a weakness. It gives the islands a solid core of loyal visitors who tend to be older than average. But it also means that the industry could lose badly because a new, younger, generation, accustomed to Mediterranean holidays, never learned of the charms of the Channel Islands.

There is also a need to do more to attract Continental visitors. Another obvious area of potential growth is conference business. Although neither Jersey nor Guernsey has the large hotels sought by the biggest conferences, Jersey has shown itself able to handle conferences with as many as 3,500 delegates.

Guernsey has felt able to meet the demands of hosting the 1988 World Powerboat championships and its hotels and guest houses are experienced in the art of co-operation to meet accommodation demands.

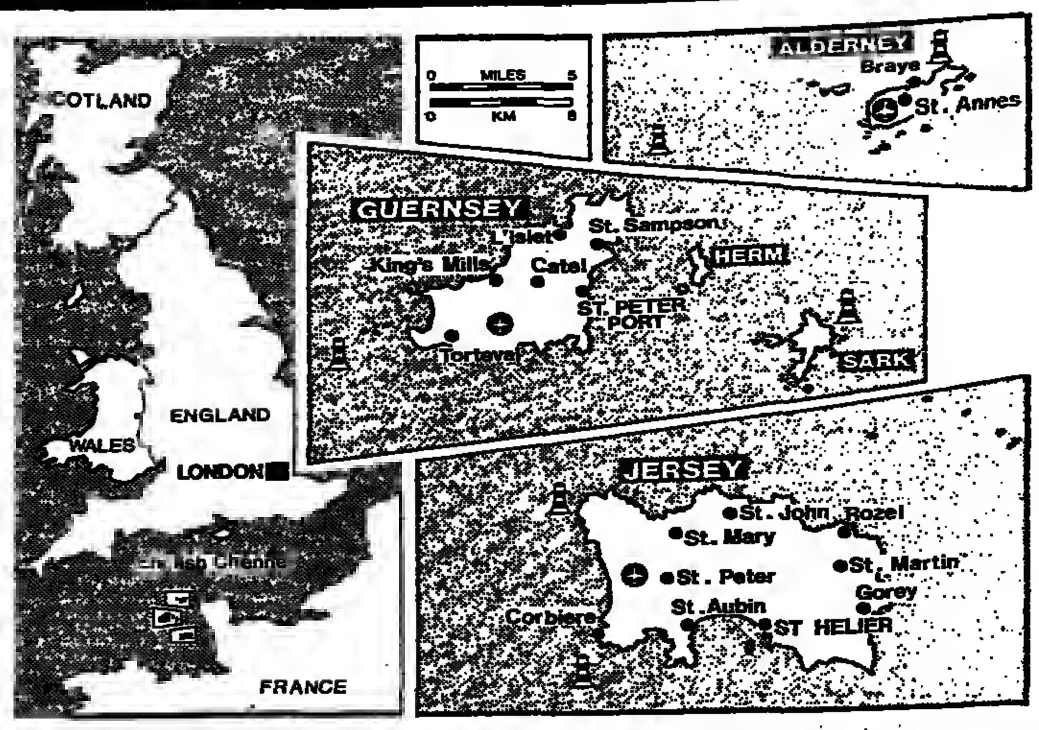
Visiting yachts provide another potential growth area. In this respect Guernsey has already stolen a march on Jersey. Its new £20m marina and port development, due to be completed next June, will provide more than 700 extra mooring berths in St Peter Port. In Jersey, meanwhile, a marina is still at the discussion stage.

Hitherto both the main islands have imposed limits on the physical expansion of their tourism industries. Guernsey decided as long ago as 1972 to set a limit of 15,000 beds on the industry's growth. At one stage the number threatened to exceed that limit, reaching 14,700. Then it fell back to the present 13,000.

Similarly, Jersey decided in the late 1970s that it, too, did not want any more physical expansion. Development land was to be reserved for local housing needs although this policy has not prevented Jersey from debating recently whether or not to construct a third golf course.

But the message is now loud and clear—the quality, attractiveness and appeal of the islands' assets must be improved or much valuable revenue will be lost.

Robin Reeves



Brechou, pictured from above Port du Moulin, is one of Sark's spectacular tourist spots.

Defence contribution issues

The debate intensifies

MINESWEEPER, local Territorial Army unit or annual cash payment? Jersey is still arguing over how to respond to a request in 1984 by then UK Home Secretary, Mr Leon Brittan that the Channel Islands should consider making a contribution to HM Government's defence bill.

The parliaments of Jersey and Guernsey have since both agreed that the islands have a moral obligation to help in some way towards the cost of the defence "umbrella" provided by Britain and Nato, and Guernsey has already made an offer acceptable to Whitehall.

In Jersey, however, there has been strong opposition to the proposal put forward by the special committee set up to consider the UK Government's request, which has recommended that the island should buy a River Class minesweeper and establish a Royal Naval Reserve unit.

In a poll conducted by the Jersey Evening Post, only 83 people backed the minesweeper proposal against 4,113 who favoured an alternative idea of basing a search-and-rescue helicopter in the island.

Many Jersey politicians are equally unenthusiastic about the official recommendation. They would prefer to see something more closely identified with—and of more use to—the island. A meteorological radar unit at the airport was another alternative proposed.

The minesweeper project is also considered by some States members to be too open-ended a commitment (one has dubbed it "HMS Folie de Grandeur"). The investigation committee's report put the cost at £15m to £18m over a ten-year period, but—knowing how defence costs can escalate—the sceptics think this is a decidedly conservative estimate.

Nevertheless, after being asked to go away and come back to the States with fuller information about the options available, Jersey's special committee has stuck determinedly to the minesweeper solution.

In its second report, the committee explained that the options of a radar installation or a rescue helicopter—useful as they might be in themselves—were not accepted by the Ministry of Defence as making "a significant contribution to national defence."

A third option of establishing a Home Service Force in Jersey to protect key points was welcomed by the Ministry (and is now being pursued in the island), but was not seen as any adequate exchange for the favoured minesweeper scheme.

Jersey's parliament had been due to have a third and decisive debate on the defence contribution issue at the beginning of this month, but this has been postponed because of requests for more information and the lodging of late amendments.

Among the new suggestions are that the Ministry of Defence should be asked each year for a "shopping list," from which Jersey would buy items up to a value of at least £750,000, or that the island should simply make an annually reviewable cash payment, starting at £600,000.

The committees dealing with the UK Government's request in Jersey and Guernsey both came out firmly in favour of making a contribution in kind rather than in cash. The generally hostile initial reaction in the islands to Whitehall's approach was largely because it was feared the UK was proposing a form of back-door taxation.

For constitutional reasons, the Channel Islands have always resisted making any regular payment of this kind to Britain, although they have made voluntary donations, such as Jersey's £5m gift in 1982 towards the rehabilitation of the Falkland Islands. In the 1920s, Guernsey and Jersey successfully fought off a demand for an annual contribution for "Imperial services," and they have been equally averse from writing out cheques in favour of HM Government on this occasion.

Jersey had hoped that Guernsey would come in on the minesweeper project and form a Channel Islands RNR division, but the smaller island had its own idea—and rather an inspired one, the inhabitants think.

The UK Government has agreed that Guernsey should relieve it of the heavy cost of maintaining the Alderney breakwater, a 2,800ft-long sea wall built by the Admiralty in the mid-19th century as part of an abandoned scheme to create a huge naval harbour in the Channel Islands.

The upkeep of this breakwater, for which the present caretaker, the Ministry of the Environment, budgets around £500,000 a year, has been threatening for some years to become a constitutional sore point, so for Guernsey to take it over has been seen in the bailiwick as a neat way of killing two birds with one financial stone.

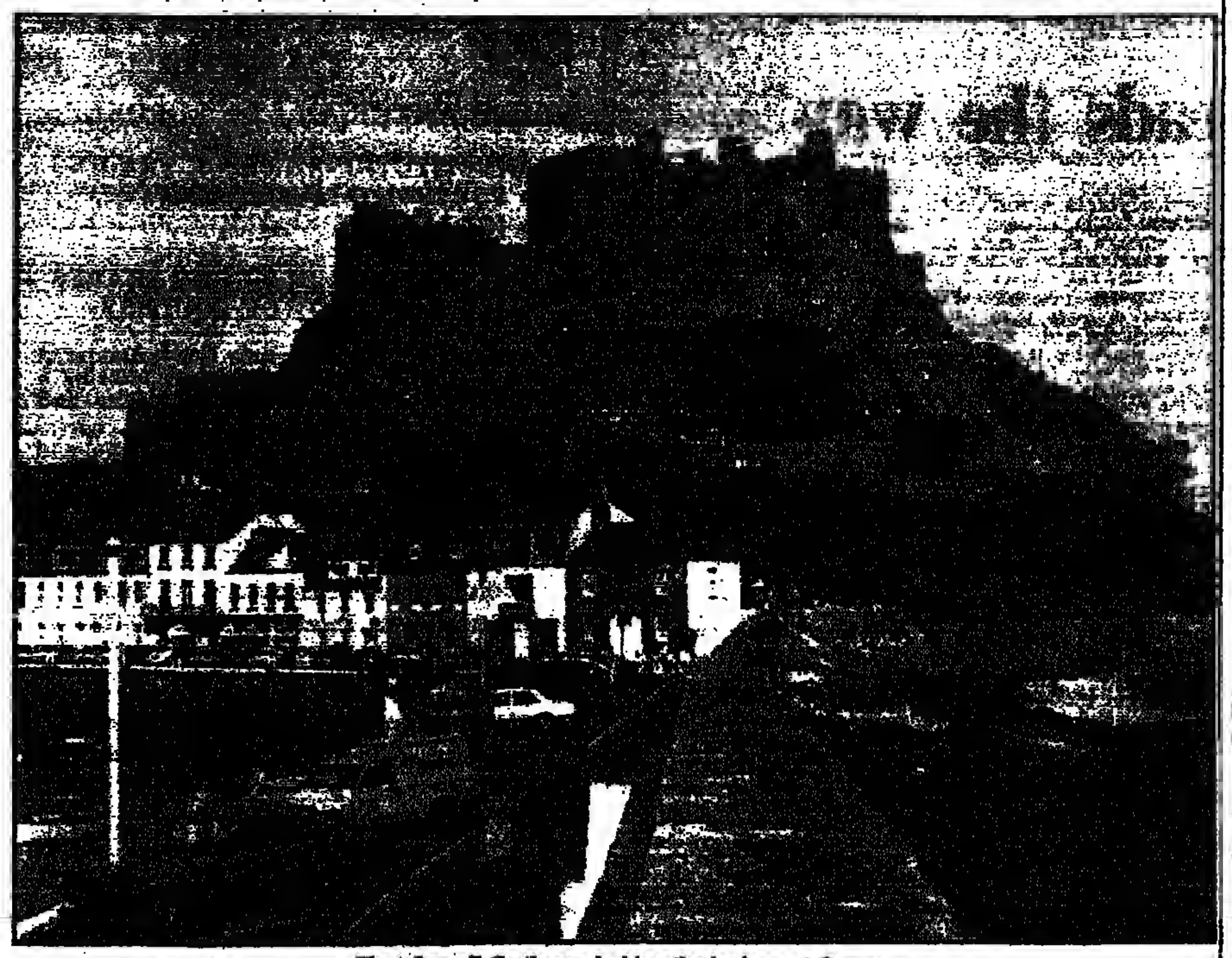
Guernsey has also agreed to pay towards the running costs of a Royal Naval Ports headquarters set up in the island 12 years ago.

Both islands have said they are ready to meet "identifiable" expenses incurred by the British Government in acting for them internationally—for example, at the EEC or before the European Court of Human Rights.

In addition, Guernsey has offered to pay over the fees collected for passports issued by the Island's Lieutenant-Governor in return for overseas diplomatic services to islanders. Jersey, however, believes it is already making sufficient contribution in this direction by acting as an immigration "frontier post" for the British Isles.

Edward Owen

CHANNEL ISLANDS 7



Mont Orgueil Castle overlooking the harbour at Gorey.

Shipping links

Rough times for the ferries

AFTER ENJOYING probably their best-ever shipping connections over the past two years, the Channel Islands were suddenly faced this autumn with the worst disruption of services they have experienced since World War II.

The trouble began with an announcement by Sealink British Ferries and Channel Island Ferries at the end of September that they were ceasing to compete on the islands' routes and were going to run reduced services through a new joint company, British Channel Island Ferries.

There were now to be year-round day and night sailings from Portsmouth but only summer sailings from Weymouth, while a Cherbourg-Channel Islands service introduced in 1985 by Sealink was to be axed at once.

The threatened redundancies provoked sit-ins by the crews of Sealink's ships and an 18-day blockade of Guernsey's only roll-on roll-off ramp by the ferry *Earl William*.

Sealink failed to provide a second ship, as planned, to join Channel Island Ferries' *Corbière* on the Portsmouth-Channel Islands run, and finally the two companies clashed with mutual writs in the UK High Court at the beginning of December.

Each company alleged a breach of agreement by the other and claimed that it was therefore entitled to the other's 50 per cent share of British Channel Island Ferries.

Meanwhile the Channel Islands found themselves reduced from four daily ferry arrivals to only one, causing problems both for the late-season tourist trade and for the freight handlers and their local customers.

Guernsey's growers were estimated to have lost some £100,000 worth of business during the blockade of St. Peter Port harbour, and the financial collapse of one horticultural firm was blamed partly on its cash-flow difficulties during that period.

Torbay Seaways, a small company operating a car ferry from Torquay to the islands in the tourist season, came to Guernsey's aid by putting on extra sailings to take home stranded holidaymakers and move some of the freight backlog. Because of the continuing shipping crisis, Torbay extended sailings into December.

The Guernsey-based hydrofoil company, Condor, which normally operates only between the islands and France, ran an emergency service to Poole, carrying 3,800 passengers over an 18-day period. The company now plans to run a daily cross-Channel hydrofoil service next season.

Condor's owner, Commodore Shipping, which carries about 50% of the Channel Islands' freight on its daily lift-on lift-off cargo link with Portsmouth, laid on extra sailings of its three ships and, according to managing director Roger Norman, "managed to cope with everything that was thrown at us".

The largest operator handling roll-on roll-off traffic in and out of the islands, the Portsmouth-based Mainland Market Deliveries, chartered a lift-on lift-off cargo vessel until British Channel Island Ferries was able to provide the promised two-ship ro-ro service.

Bob Norris, a director of MMD, whose fleet of 70 vehicles and 400 trailers is mainly used for Channel Islands operations, said: "Normally, if a merchant in the islands comes to us on a Monday and wants, say, 20 tons of building materials collected from a mainland supplier, we can deliver it to his premises in Jersey or Guernsey by the Tuesday morning.

"With having to ship much of the non-perishable cargo by a lift-on lift-off vessel, which was not on a 24-hour cycle, this dropped back to perhaps three or four days' delivery time."

The Channel Islands began to worry about the future of their ferry services three years ago when Sealink was being privatised. Their fears seemed to be justified when James Sherwood, president of Sea Containers, Sealink's new owner, called the islands' services "the main problem child of the company."

Then, unexpectedly, all seemed well. A new company, Channel Island Ferries, backed by Brittany Ferries and Jersey's Huelin group, announced that it proposed to run a year-round passenger, car and freight service to the islands from Portsmouth. And, far from cutting back, Sealink embarked on a multi-million pound refit of its Channel Islands fleet, introduced a *de luxe* service from Portsmouth and linked the islands for the first time with Cherbourg.

After years of public grumbling about Sealink's monopoly of their ferry links with the UK mainland, Channel Islanders—except perhaps those with knowledge of shipping economics—saw a bright new era opening up with the arrival of a competitor.

In the event, owing to an increasing swing to air travel, an indifferent tourist season and customer-resistance to Sealink's *de luxe* service, 1985 proved to be a disastrous year for seaborne passenger traffic to the islands. From around 730,000 in 1984, carryings fell to 470,000 and Sealink lost more than £10m on the routes.

Although passenger business improved a little this year, both operators lost money—Sealink an estimated £5.5m and Channel Island Ferries around £300,000—so it came as no great surprise to the island authorities when the "rationalisation" plan was announced.

What did cause surprise, and a great deal of resentment, was the suddenness with which Sealink *dropped its Weymouth* and Cherbourg services—and the chaos which that move brought. This resentment has not been lessened by the reported remark of James Sherwood that the disruption cost Sealink nothing, because the £3m lost through the strike would have been lost anyway by continuing to run its Channel Islands services.

The dispute between the partners in the new British Channel Island Ferries, and the consequent uncertainty over next season's pattern of sailings, especially on the Weymouth route, is already reckoned to have lost the islands tourist business.

Brochures for 1987 had to be sent out with 'guesswork' sea travel information, and inquiries from travel agents and potential visitors could not be answered.

Iain MacFirbbisigh, chairman of the Channel Islands Tour Operators' Group, said: "The tragedy is that, after a period of great uncertainty when Sealink was privatised, it looked as if confidence in sea travel to the islands—which is still very important—had been restored.

"Then, suddenly, the rug was pulled out from under us by Sealink. Knowing what we do now, it is understandable that they pulled out, but the manner and timing of their going has been very damaging."

While the tourism industry is anxious about the Weymouth holiday route, the freight companies are chiefly concerned to see adequate roll-on roll-off capacity from Portsmouth, the islands' major cargo port.

Mainland Market Deliveries' Bob Norris and Commodore Shipping's Roger Norman are in agreement that this is where the future of Channel Islands freight handling lies, especially as major schemes being carried out at St. Peter Port and St. Helier harbours will greatly improve ro-ro facilities.

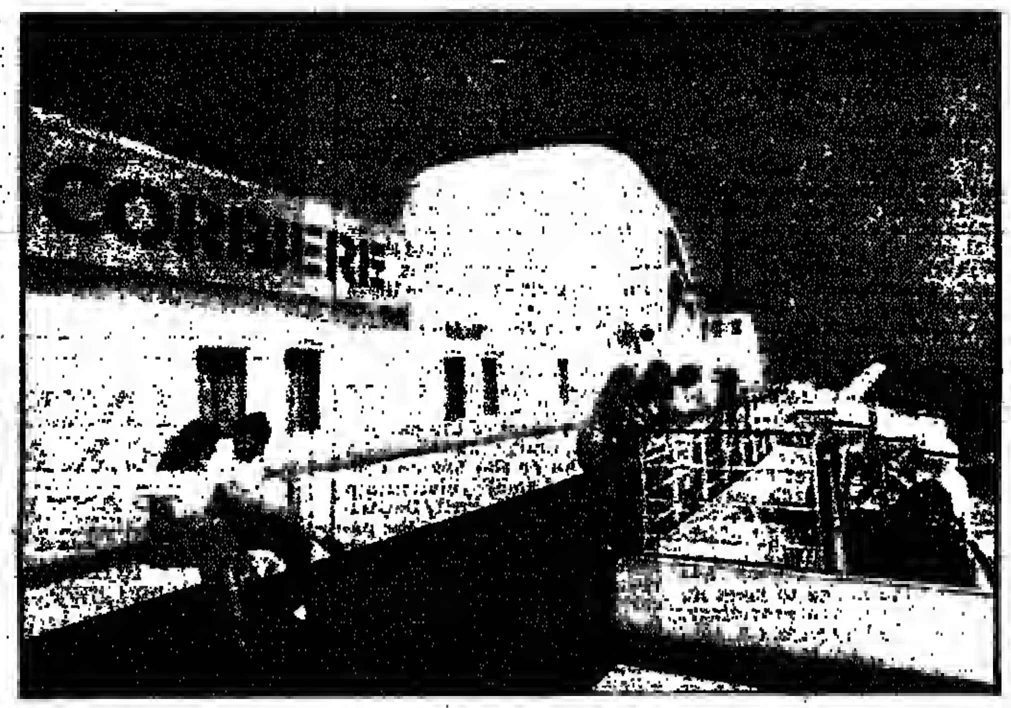
"It is only a matter of time before the Channel Islands go completely ro-ro, like every other cross-Channel operation," says Mr Norris.

With the opening of a second ramp next year at St. Peter Port, Commodore Shipping is to start a Portsmouth-Channel Islands ro-ro service, cutting back on its lift-on lift-off operations. The company has a subsidiary with its own Portsmouth quay and another providing country-wide haulage with a groupage depot at Feltham, Middlesex.

While he thinks there could well be developments in the type of vessels used and methods of distribution, Roger Norman does not foresee much change in the overall volume of Channel Islands freight traffic.

But at least "it is a consistent, year-round business, whereas passenger traffic is seasonal and has been steadily diminishing", he says. New moves by the airlines to attract passengers away from sea travel, such as a special £19 single fare being offered from Southampton this winter by Air UK, could have a "very significant" effect on future ferry carryings, he believes.

Edward Owen



CORBIERE, the 4,250-tonne vessel of the newly-formed British Channel Island Ferries, operates the day sailing out to Jersey and Guernsey from Portsmouth and the night sailing back from the islands.

The ferry service began operations with Corbiere on October 1. In the first month of operations, the ship carried a total of 14,290 passengers and 3,212 cars.

Fares until the end of the year have been pegged at standard adult tariff of £26 single, £52 return, with cars £33 single and £66 return.

The company is also offering 5-day "returns," aimed at the short-breaks market, which allow passengers to stay up to 120 hours in either Jersey or Guernsey. The rates are £36 return for adults and £46 for cars.

The Corbiere Lighthouse

Industrial development

Electronics leads the way

ONE OF the surprising aspects of the recent Peat Marwick Mitchell review of the role of the Guernsey States (parliament) Advisory and Finance Committee, was its criticism of the island's efforts to attract manufacturing companies.

"The encouragement of manufacturing industry in order to diversify the employment base against possible economic decline might be counterproductive, given that the manufacturing sector tends to be the first to shed labour in a recession," the report said.

Guernsey launched a campaign in 1974 to build up its manufacturing base precisely because, in the wake of the first oil crisis, it feared that its glasshouse industry might collapse. As it happened, growers weathered the first oil price storm well, but the late 1970s upsurge in energy costs provoked a very severe contraction in tomato growing, from which the industry only now is beginning to recover.

Four years ago, in spite of the tendency of the island to export its unemployment, some 1,700 of Guernsey's population of 55,000 were looking for work, an unemployment level of 5 per cent.

This measure of economic inactivity remains disturbingly high in most parts of Europe, but in the Channel Islands, thanks to the growth of the islands as financial centres, it has been reduced to negligible proportions.

But it is equally true that the financial sectors are vulnerable to overnight changes in external political and other factors entirely beyond the control or influence of the islands' governments.

In the circumstances, it is difficult to envisage a strategic plan worth its salt which does not see a continuing place for some manufacturing industry in the islands, if only for that reason. Certainly, Mr John Dempster, chief executive of Guernsey's Board of Trade and Industry, believes that one of the prime values of a manufacturing sector now employing 2,300 people and accounting for about 9 per cent of Guernsey's GNP, is precisely as a potential defence or cushion against such an eventuality.

Mr Colin Powell, Jersey's Economic Adviser, also stresses the continuing importance of the island's small manufacturing sector to the island's economic health. He notes in his latest budget report that four out of five of the 3,458 people employed in the island's manufacturing industry are Jersey born and bred, or have been resident for more than 10 years. In short, manufacturing is important in providing a range of job opportunities for local, and, according to the detailed statistics, predominantly male, residents.

Furthermore, while only some 700 of these manufacturing jobs rely upon export markets—the remainder are in industries such as brewing and printing to supply the island's own needs—the export companies concerned still earned the island a valuable £22m last year, which was broadly unchanged on the previous year in spite of a more difficult trading climate.

Guernsey's significantly larger manufacturing sector did even better, chalking up a 9 per cent increase in the value of its exports to more than £81m. Electronics and electrical goods, which led the way, are easily the most important sector, employing some 40 per cent of the manufacturing workforce and producing exports worth, at the last count, nearly £70m.

The largest company in the sector is Tektronix, a US-owned company with headquaters in Portland, Oregon, manufacturing oscilloscopes. It first came to the island in 1958 and at one stage employed 900 people. But today, the workforce is down to 350. Another US subsidiary and significant employer is Dynatech Medical, which produces diagnostic medical items.

A more recent arrival is Nashua, which decided to move its operations from Bermuda to Guernsey. The company distributes and markets copying machines, floppy discs and office equipment and already has 30 employees on its payroll.

The Channel Islands' fiscal regimes are clearly an important attraction for manufacturing industry as well as for the finance sector. For a range of products, it can help offset the extra transport costs involved in reaching markets.

Another significant attraction for some companies has been the loyalty of skilled staff. Aqua-Star, a boat building company, decided to move from the South Coast of England because of staff poaching problems there and is now expanding rapidly.

For the time being, however, Guernsey has stopped actively seeking to attract more manufacturing industry. At a time when the politicians of both islands are debating whether they should be doing even more to limit the rise in their population and tackle an acute housing shortage, there is obviously no point in seeking extra activity for an already overheated economy.

But while marking time on inward manufacturing investment, both islands remain anxious to ensure that the light industry which they do have continues to prosper, and does not become uncompetitive because of domestic inflation, shortage of labour, or other difficulties.

In this context, the recent Sealink dispute and the fortnight's blockage of the roll-on, roll-off ferry terminal at Guernsey's St Peter Port, was an embarrassing interruption in the islands' commercial transport links. But one of the benefits of Guernsey's new harbour development, to be completed next June, is construction of a second ramp, which will provide far greater commercial operating flexibility and prevent a future blockage.

Jersey, too, is investing in improved harbour facilities to make its shipping movements less restricted by the island's exceptional high tides, though additional services have yet to be promised.

Robin Reeves

Health care

Battle against rising costs

LAST YEAR, Guernsey's Board of Health, responsible for the provision of medical services for the island, had a budget of £13.65m, a 39 per cent increase in two years. This year, it is spending £15.6m and next year, is due to spend £17.69m—all figures which graphically illustrate the mounting cost of providing adequate modern health care for a population of only 55,000 people.

As the recent Peat Marwick Mitchell report emphasised, the circumstances are not unusual." In common with all advanced economies, Guernsey is finding that demand for health care is almost insatiable and that expectations are almost constantly rising. The people of Guernsey have become accustomed to a very high standard of primary care and now expect to take advantage of the latest medical equipment, much of which will be beyond the island's resources."

What is different is that Guernsey has no UK-style National Health Service. For years, the island has operated with an arrangement whereby only hospital services are free. Everything else has to be paid for. The island's 58 doctors work within a series of private group practices, providing primary care within their surgeries and specialists services at the island's Princess Elizabeth Hospital.

It means that patients tend to have their GP also looking after them in hospital and even carrying out surgical operations, as used to be the case in Britain in the days of local cottage hospitals. Furthermore, according to Conseiller John Henry, president of the Board of Health, many Guernsey people would be reluctant to give up this arrangement since its maintains continuity of care.

The system is clearly financially advantageous to doctors. A legal dispute disclosed recently that an incoming doctor had paid the partners of a Guernsey general practice more than £50,000 simply to join their practice, even though he was replacing someone who was retiring.

But the other side of the coin was illustrated by the recent case of a young wage earning family which was faced suddenly with an unexpected bill for more than £1,000 after the wife had gone into hospital to have a baby and found that she also had to have a gall bladder operation.

Last year, Sir Douglas Black, former chief scientist at the Department of Health and Social Security, plus a team of specialists undertook a review of health care provision on the island. Their report was highly critical of the arrangement whereby each practice has its own surgeon, and argued that the system generally was not really geared to cope with the rising cost of "high technology medicine" and health service professional services.

The team also said that it had heard repeatedly of widespread anxiety over the expense which could arise from sudden serious illness or accident, or from the need for long-term care.

Many aspects of the Black report are still under discussion, but it has already been decided to re-examine the method of financing. Consultant Peat Marwick Mitchell has been asked to examine the present system of remuneration and recommend changes. The feeling is that it will urge the introduction of a general health insurance scheme for the island when it completes its report in early spring next year.

In the meantime, Guernsey's position contrasts unfavourably with that of Jersey, which has operated a comprehensive social security system for nearly 20 years. It is financed by a 1 per cent contribution from employers and 0.5 per cent from employees, which is paid into a special government fund.

When the scheme started in 1967, everyone was obliged to pay in for six months before drawing benefits, a rule which still applies to new beneficiaries. The level of contributions is adjusted each year in line with the average between wages inflation and cost of living increase.

The resulting revenue has allowed the island to meet its overall objectives of providing a free hospital service (in contrast to Guernsey, the treatment as well as the accommodation is free) and covering at least half the cost of going to the doctor, and the medical prescription or prescriptions which may arise.

The system is similar to health schemes found in Scandinavia and some countries of the Commonwealth, such as New Zealand. It is also being looked on as a possible model by others. Mr John Lees, Controller of the Social Security Department, has received visits from representatives of small countries considering their own health schemes.

For the poorest members of society in Jersey, there is a means-tested provision which allows about 3,000 of the island's 80,000 population to receive free primary care. Those granted "health insurance exemption" go to their own doctor in the normal way, but sign a document which entitles the doctor to receive a 100 per cent refund of his or her fee.

In most cases, there is only a part payment. The precise level of consultation fee is a matter between doctor and patient. The Social Security Department simply pays a flat rate of £6 a consultation (it has just been raised from £5 because of the buoyancy of social security contributions), and the patient the balance, which on average is about 35 per cent of the total charge.

Prescription charges, too, are no more than £1 an item. This is, in fact, half the charge under the UK health service, but there are far fewer exemptions. The drugs prescribed must be those on a restricted list, an idea introduced in Jersey long before it was adopted in the UK.

Administratively, the reimbursement system is kept simple by allowing the doctor to act as the agent of the patient. Although, unlike the UK health service, he or she has no contract or formal relationship with the Social Security Department, the doctor acts as the patient's agent and submits each month a list of those who have visited him, after which he receives a cheque covering the total benefit entitlement.

Sark's 520 population recently adopted their own health scheme for the island. Until two years ago, Sark paid £12,000 a year to Guernsey's Board of Health to cover the cost of using the larger island's hospital and other specialist facilities.

Because of the mounting costs, Guernsey demanded a more realistic contribution and proposed charging the full cost of services—then £93 a day for hospitalisation—which threatened Sark families with private insurance premium bills of at least £320 a year. But a Channel Islands insurance broker, R. A. Rossborough, suggested a far more intelligent way round the problem—the adaption of a private health insurance plan on offer to large companies in the UK.

The net result is an island scheme in which residents pay annual premiums ranging from £103 for those aged 24-29, to £205 for those over 65 and £32.20 for the first two children with other children free. For this, residents of Sark are covered against specialists' and doctors' fees, other than those of their island GP. The £12,000 formerly paid to Guernsey is now used to assist those residents who cannot afford the premium payments.

Robin Reeves

Charges in the New Year will rise by 19.3 per cent

Doctors' fees rise again

AN INCREASE of 19.3 per cent in "primary health care" charges from January 1 was announced this month by the Guernsey and Alderney division of the British Medical Association.

It means that the standard consultation fee will go up from £8.80 to £10.50 with a small discount for immediate cash payment.

The doctors claimed that they were "faced with increasing costs which we can no longer absorb" and said that the higher fees for surgery consultations and home visits should produce "about a 3½ per cent cost-of-living increase in doctors' net incomes".

The statement added: "There has been a huge increase in rents for commercial property, particularly in St Peter Port, and a disproportionate escalation of staff costs.

"Most significantly, changes in the rates of remuneration to doctors from dispensing, introduced by the Insurance Authority this year, have markedly reduced the income that doctors receive from the States of Guernsey."

Under the Guernsey system, both doctors and pharmacists dispense drugs and medicines, with the former handling 70 per cent of the work under the island's subsidised Pharmaceutical Service.

For many years, both were paid at the same rate, but last year, after independent surveys into their respective costs, the law was changed to pay pharmacists and doctors at different rates. This came into force last September.

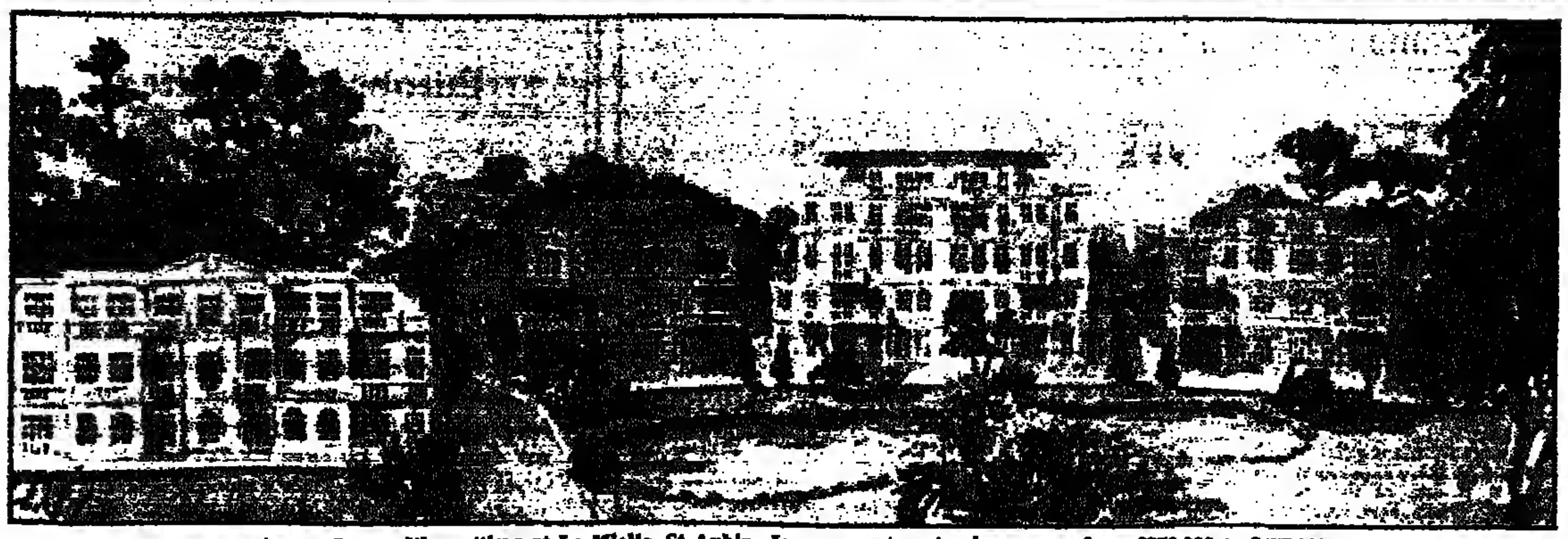
Commenting on the doctors' latest increase in charges, Conseiller Bob Chilcott, president of Guernsey's Insurance Authority, said: "The authority have a duty to ensure that both professions are remunerated reasonably in accordance with the actual costs, as determined by independent surveys.

"The authority, therefore, maintain that doctors are now being correctly remunerated for dispensing drugs and any reduction in payment during 1986 is because they have been overpaid for so many years."

The local BMA branch acknowledged that the 19.3 per cent rise in charges would cause hardship for some patients and said that it hoped a review of the island's medical care and social services now being carried out would result in "more help available to the people of Guernsey in times of need".

Meanwhile, islanders who did not qualify for States aid with their medical expenses were urged to join one of the private health insurance schemes.

Edward Owen



New homes for wealthy settlers at La Mielle, St Aubin, Jersey: apartment prices range from £250,000 to £475,000

Home and office property market

The demand remains high

GUERNSEY estate agents Swoffer Read & Partners recently placed two advertisements in the local newspaper listing 17 unnamed but bona fide clients who were seeking properties in the limited pool of houses available without restrictions to outsiders.

Picked from the agents' "bulging open market file," they were, together, offering nearly £9m for suitable property and included a man from Liverpool with £750,000 available, a couple in Surrey ready to put up £800,000 and a self-made millionaire in Guernsey with £1m to spend on "a superb property."

The advertisements illustrated the scale of demand for houses from among a total of only about 1,800 "open market" properties in the island, and the frustration of Guernsey estate agents at having at most, a score of such homes on their books.

According to some valuers who are familiar with both islands, Jersey properties in the "wealthy settler" bracket usually represent better value than their Guernsey counterparts, which range in price from a minimum of £100,000 to around £850,000.

But for some years the larger island has allowed in a maximum of 15 rich newcomers a year. They can only buy houses in the 1(1)(k) category, running from about £200,000 to a top price of some £1.2m.

Estate agents William Bull & Co. report a 30 per cent increase over the past two years in the price of "K" properties—a rate of growth seen at no other level of the market.

Only eight wealthy settlers were admitted this year, and as Jersey faces up to an immigration problem caused primarily by its booming finance industry, the belief is gaining ground among agents that the authorities will soon put an even tighter brake on the entry of rich immigrants.

Over the same period, a price rise of about 15 per cent has been seen in Jersey's "J" category housing—properties that can be bought by, for example, senior bank staff brought in because nobody can be found locally to fill the post. A potential "J" purchaser must look for a house with a minimum price tag of about £100,000.

Guernsey has operated a two-tier housing system since the end of the second world war in order to maintain property prices at a level native islanders could afford. The system culminated with definitive housing legislation in 1982.

People without residential qualifications cannot occupy local properties (although they can buy them) without a licence from the housing authority, which usually imposes certain conditions. After 15 years, licence holders gain residential status and housing freedom.

The housing authority has just brought out a special booklet to guide newcomers, particularly potential employees, through the maze of its occupancy laws, recently accepted as a legitimate measure of control by the European Court of Human Rights in a test case.

The rapid growth of Guernsey's finance industry has led lately to an unprecedented demand for "essential worker" licences, with the housing authority receiving 30-40 applications a week.

As a result the island has seen the emergence of what is virtually a third "tier," akin to Jersey's "J" category—imported senior staff who must buy above a certain rateable value, according to their salary and status.

Many islanders believe this has been a major factor in pushing up prices in the local housing market by 40 per cent in the past two years. First-time buyers can expect to pay about £40,000 to £45,000: other local properties are changing hands for £165,000 and even £225,000.

Low-interest loans to bank employees and more mortgage facilities—at one time hard to come by for local families—have added to the pressures on Channel Islands' housing stock. Institutions in Jersey this year are estimated to have lent over £75m.

Although there is freehold flat ownership in Guernsey on a tiny scale, there is no solid provision for it under island law. Leaseholds are classed as personalty: as such they cannot qualify for a mortgage, and for home owners long leases do not exist.

The island's legislature has been toying with the problem of flat ownership for some years, and in response to a demand that has risen from a murmur to a shout, set up a special investigation committee in 1984.

Headed by local MP and lawyer Roger Perrot, the committee has consulted with Guernsey's Crown officers and produced draft legislation for horizontal ownership of real property designed to remove any doubts as to its legality.

Mr Perrot and his team have plumped initially for "flying freeholds" rather than leaseholds because the latter would involve taking on board "a vast baggage of legislation that has developed over the centuries in the UK, but is alien to Guernsey."

With virgin legal soil to work on, the committee has provided safeguards for two contingencies that have hugged "flying freeholds" in the UK. It has ensured that a flat owner's responsibility in respect of his neighbours' rights is passed on with the sale of his property. It has also provided a legal framework whereby a neighbour who endangers the property (through neglect, for example) can be made to carry out remedial work without delay.

However, the committee will be monitoring the progress of flying freeholds: if after all they do not prove popular, it will turn serious attention to realty leaseholds.

Mr Perrot, who expects the new law to be in operation by next summer, says that it may well revolutionise Guernsey's property market.

By contrast, Jersey has already made legal provision for realty leaseholds rather than freeholds of horizontal property, and flat ownership in this form is now well accepted.

A luxury development in the "K" category that is likely to be the only one of its kind is under construction at St Aubin's Bay. La Mielle (Jersiaise for "sandy terrain") consists of 27 apartments in four blocks, costing from £250,000 for a flat to £450,000 for a penthouse. The units have two, three or four bedrooms, all with bathrooms en suite and — a sign of the times even in Jersey — "emphasis has also been placed on security." The agents are Robin Stone Partnership in conjunction with Huelin (Estate Agents).

The first two blocks of Jersey's largest-ever office development — one five-storey blocks on the site of the former Forum cinema — are expected to be ready by next February for the Chase Bank & Trust Co. The remaining buildings, already bespoken for by major banking concerns, should be complete in June.

Gotbard and Trevor, sole agents for the Forum development, are quoting rents at £15 a square ft. They also report that two further office developments — one of 25,000 sq ft on the former Lancashire Textiles site in St Helier, and another of 35,000 sq ft in Union Street — only await final approval under Jersey's Regulation of Undertakings and Development Law.

Some Jersey agents believe that demand may level out a little when new office accommodation now in the pipeline becomes ready for occupation — releasing secondary space. Rents here are quoted at between £11 to £12 a sq ft. For accommodation in a good town position but without such frills as air conditioning, the going rate is about £7.50 to £8.00.

Because of local housing shortages and the limited capabilities of the island's building trade, the authorities in Jersey are now giving the thumbs down to any new office building that is not pre-leased to approved tenants.

Their policy is also to move light industrial units out of St Helier's "inner city" to make way for new, rented flat developments.

Although the business areas of Guernsey's capital, St Peter Port, are being extensively redeveloped, with several new office buildings recently opened, under construction or planned, prime accommodation is still hard to find because it is virtually all snapped up at the drawing-board stage.

Willa Murray

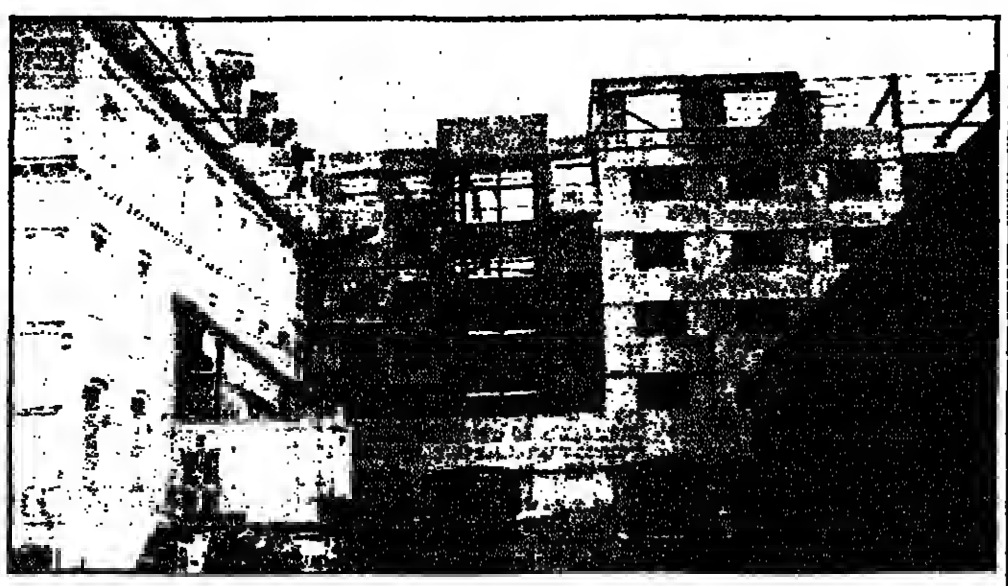
RAPID GROWTH IN BUSINESS SERVICES

THE RAPID growth in banking and other financial services in the Channel Islands has brought with it a parallel increase in business services—advertising, publicity and promotion—available in the area.

The demand for services on the islands has come, according to George Barnaby, of Wallace Barnaby and Associates, both from UK merchant banks and other financial institutions which have opened branches in recent years, and from other overseas institutions which operate in the islands selling offshore facilities. Wallace Barnaby, which was set up two years ago has grown in that time to total billings of more than £4m and to total employment of 28 people.

Other agencies have been set up to join established agencies in both Guernsey and Jersey, offering in several cases a range of publicity and promotional services such as market research as well as advertising.

Some companies, too, have begun to win business from clients in the south of England, reversing, albeit in small measure, the long-established trend for Channel Islands organisations to turn mainly to the UK for publicity advice.



A BOOST for Jersey's conference and leisure facilities is under way at the Hotel de France where a five-storey extension (above) is rapidly taking shape.

The 161—bedroom extension at the hotel complex—one of the largest in the Channel Islands—is being built with an award-winning 'Dry Envelope' steel superstructure technique by Conder of Winchester.

The Hotel de France at St. Helier has already built a conference and leisure centre in the hotel grounds. The new bedroom block is the latest stage in the remodelling of facilities to help meet the expected growth in the tourist business.

In the Channel Islands, where brick and concrete have been the traditional materials in the construction of large buildings, Conder has, however, brought its rapid steel construction techniques to several projects, including the Forum commercial complex, built last year.

Communication developments

Big increase in services

JERSEY'S Director of Telecommunications, Mr Tom Aycon, and his Guernsey counterpart, Mr Alec Forty, are meeting representatives of British Telecom and the French PTT in Paris this week to discuss a proposed digital link between the Channel Islands and England using a route through northern France.

This is one of the measures to be taken to ensure that the islands' trunk and international connections, as well as being technologically up-to-date, are made as secure as possible against interruption.

The link through France is wanted as an alternative route to a new optical-fibre submarine cable which is due to come into service between Guernsey and Dartmouth early in 1989. To protect it against storms and hazards such as dragging ships' anchors this cable will be ploughed into the seabed as it is laid.

Unlike the three existing cables linking the islands with England, which work on the "old-fashioned" analogue system and need to be boosted every seven miles, the new link will be able to transmit right across the Channel without repeaters.

With a length of 150 km (93 miles) it will, it is believed, be the longest stretch of unrepeated optical-fibre submarine cable in the world at that time. Each pair of fibres will be able to carry about 2,000 simultaneous transmissions.

But even the best-laid undersea link, it is recognised, could still be vulnerable; and the islanders, with their increasing economic dependence on financial business that requires an instant, continual and worldwide exchange of information, know that vulnerable communications are something they cannot afford.

A satellite link is one of various possibilities studied to provide alternative access to British Telecom's UK system, through which the islands now obtain their international connections with direct dialling to 170 countries.

But it was decided that communication through France, between Jersey and Normandy by microwave radio and across the Channel by the recently installed digital microwave link, would give much higher capacity at considerably less cost per circuit.

Under an agreement reached with the UK Post Office Corporation when Jersey and Guernsey took over the running of their trunk telecommunications system in 1973 (and since reaffirmed by the privatised British Telecom), the three authorities share the responsibility and cost of maintaining the links between the archipelago and England.

These links, which Guernsey and Jersey use jointly, are at present provided by submarine cables running from Jersey to Bournemouth and Dartmouth and from Guernsey to Bournemouth only, together with a standby microwave radio link by way of Alderney and the Isle of Wight.

Jersey Telecoms also has its own microwave radio link with France.

Emergency plans exist to call quickly on spare capacity in the system if one of the cables breaks. When this happened last month Guernsey Telecoms was able to restore a full service in 70 minutes.

Only occasionally—as in an incident last January when 14 cables in Channel and North Sea were severed—have the islands experienced a significant reduction in outside capacity.

But the potential risk is worrying enough for investment in future alternative outlets to be seen as a necessary investment.

To guard against damage to its main trunk exchange by fire or some similar disaster, Guernsey Telecoms is installing a duplicate trunk and international "gateway" elsewhere as part of its current investment in fully electronic exchanges and an optical-fibre transmission system within the island.

Jersey, like Guernsey, is using the British System X for its conversion to digital operation and is planning a "trunk presence" at a second exchange, though not a complete duplicate.

On the customers' equipment side, Jersey and Guernsey Telecoms pride themselves that the local companies and firms are as well looked after technologically as those on the mainland.

Reflecting mainly the expansion and increasing sophistication of the islands' financial sector (although local hotels are also improving their communications), Jersey Telecoms has seen a 500 per cent annual growth rate in the amount of equipment supplied to customers over the past three years.

Guernsey Telecom also reports a steady rise in the demand for business systems, telex terminals, fax machines, dealer boards and the like, and believes it is the only authority so far to list fax numbers along with telephone numbers in its directory.

One of the few gaps in the system at present is cellular radio for cars, but both islands plan to introduce this service in the coming year.

Rentals for business equipment are generally lower than in the UK. So are telephone costs. The rate for unlimited-time local calls in Guernsey is 3.5p and in Jersey 3.9p. Guernsey's quarterly rental has been unchanged for 10 years at £8 for both private and business phones. Jersey charges private users £5.50 a quarter, but business subscribers must pay £11.25.

Low charges have led to a high level of telephone usage. Jersey, with a population of 80,000, has about 40,000 exchange lines and 73,000 phones. Guernsey, with some 55,000 inhabitants, has 27,800 lines and 48,440 phones, half of them with plug-in "Flexiphone" sockets.

Jersey and Guernsey had access from the outset to British Telecom's Linkline service, providing numbers that can be called free or at a local rate. This year the reverse facility has been introduced, so that companies in the islands can offer free calls to the UK.

One of the first to use the facility in Guernsey has been the Tourist Board, which is operating a freefone hotel accommodation service for UK travel agents.

The Channel Islands' postal administrations have also prepared themselves increasingly to meet the needs of the business community since Jersey and Guernsey took over responsibility for their own mail services from the UK Post Office in October 1969.

The islands fly their mail each evening to England, where it is treated by the Post Office as first-class with a view to delivery on the following day. This is achieved in up to 95 per cent of cases, according to Miss Pat Egan, Jersey's Controller of Mail.

A current worry for the islands' postal authorities is a move by HM Customs to reduce the entry points for their mail from 45 to 31 centres from next month and eventually to 21, as part of the general effort to combat the drugs traffic.

The islanders fear that this move will delay delivery of their mail, especially to more distant areas of the UK. The UK Post Office has taken steps intended to minimise the effects of the move but the islanders will monitor closely the speed of deliveries to UK addresses.

The minimum letter rates in both Jersey and Guernsey are 10p locally (in Guernsey this covers the other islands of the Bailiwick—Alderney, Sark and Herm) and 14p to the UK mainland. International rates follow those applicable in the UK.

Two UK Post Office services are available to the business community: Datapost for next-day delivery of documents on the mainland and Intelpost for facsimile transmission worldwide.

Under a five-year development plan, the Guernsey Post Office Board is to replace its present main office in St Peter Port with offices in the north and south of the town.

The north office will be primarily for the use of the business community and will offer a premium-rate private box service for banks and other bulk users wanting early collection.

Guernsey commuters arriving at Gatwick Airport. The islands fly their mail to England each evening, where it is treated as first-class mail by the Post Office with a view to delivery on the following day.

Edward Owen

Horticulture and flowers-by-post

Inundated with export orders

THE GUERNSEY Flowers company has stopped advertising its flowers-by-post service because it no longer needs to do so, since it is being inundated with orders from all parts of the UK, thanks to enthusiastic word-of-mouth recommendation. Turnover is already 120 per cent up on last year.

The company is one of four large businesses and some 30 smaller Guernsey flower companies offering a service which, according to Guernsey's Post Office authorities, will require the despatch of at least 402,000 boxes of flowers, worth over £3m this year. This amount is almost double the quantity exported in 1985.

In Jersey, "Flying Flowers," which dominates the island's flowers-by-post business, is also growing rapidly. This Christmas alone, it will despatch a record 29,000 boxes, compared with 22,000 boxes a year ago.

Over the past year, "Flying Flowers'," turnover has risen to nearly £1m. It has also launched a US subsidiary in Fort Lauderdale, Florida, to establish a flowers-by-post service in the lucrative US market and to appoint agents in countries as far away as New Zealand, gathering orders for friends and relations in the UK.

It has taken only eight years for the Channel Islands' flowers-by-post business to grow into an important section of the local horticultural industry. Carnations are the most popular choice (the blooms are chemically treated so that they last a relatively long time) Freesias and roses are also much in demand, although daffodils are not of sufficiently high value to merit their despatch by this method. Orders can range from a simple bouquet, worth around £4.95, to 100 freesias, plus ferns and ribbons, costing £30.

A complete range of flowers is available all year round and can be ordered simply by telephone and quoting a credit card number, or by writing a letter. Orders are despatched within 24 hours by first class post and, in most cases, delivered to their destination the following morning.

The flowers-by-post business is one of the happier stories to emerge after the near collapse of the Channels Islands' tomato industry in the early 1980s. Guernsey today has little more than a hundred acres of tomatoes under glass, compared with 700 acres in 1976.

The contraction which was caused above all by an upsurge in energy prices, came as a hard blow for an industry which pioneered many modern commercial glass-house tomato-growing techniques, and showing that yields as high as 150 tonnes an acre were possible.

But the sector's main rivals—the Dutch—were relatively sheltered from the impact of costly energy by access to cheap natural gas. More recently, there has been increased competition following the entry of Spain (including the Canaries) and Portugal into the EEC.

The result in the Channel Islands has been that growers have turned, in particular, to cut flower exports which, at the last count, were showing a 22 per cent annual increase, at £18.5m. Tomato export earnings, meanwhile, are less than £9m. Pot plant exports, begun five years ago, are also now increasing rapidly and currently estimated to be worth about £1m a year.

Both islands are also growing a wide range of other vegetables and fruits with the aim of both spraading the marketing risk, and taking advantage of changing tastes and demands for higher value products.

Guernsey's growers have entered new areas such as exotic fruits like kiwi fruit of which it now has about 25 acres under glass. Babacus, a Peruvian fruit, similar to a melon but with a lighter flesh and an edible skin, is also being grown.

Jersey, meanwhile, has greatly increased its acreage of cauliflowars, calabrese, courgettes, parsley and capsicums. It has successfully maintained a premium price for its new potatoes with blight-prone but uniquely flavoured Jersey Royal variety. This season, although the tonnage was down by 10 per cent, the total export value of the new potato crop at £10.75m was 13 per cent up on the previous year.

An intriguing question is how growers in both islands will react in practice to the sharp drop in energy costs.

In moving from tomatoes to cut flowers, growers in the Channel Islands exchanged an essentially energy-intensive, low-labour-input crop for a low energy, high-labour-input product. But now, not only has the cost of energy fallen significantly—for example, heavy oil for heating glasshouses which a year ago cost 18p a litre is now available for 8p a litre—but labour is also becoming increasingly short. Some Guernsey growers at least may decide once again to try making money from the product they know and love best—the tomato.

But whatever happens, growers in Guernsey have already radically updated their marketing arrangements in order to be able to handle and sell more efficiently a greater diversity of produce.

After years of discussion, the statutory Guernsey Tomato Board, which officially was not allowed to markat produce other than tomatoes, has finally been wound up and replaced by the Guernsey Growers' Co-operative. The new organisation will be free to explore new areas, provided its grower-members, with voting weighted by produce, approve.

Approval has been given for a three-year aid scheme for the industry to assist growers with the redevelopment of the industry and assist in the transition to new crops and marketing methods.

Mr Ralph Gabriel, manager of the new co-operative, says that its efforts will be particularly concentrated on capturing a bigger share of the UK's supermarket vegetable business. The island's failure to adapt to the increased amount of produce being handled by these outlets has undoubtedly made the industry's past difficulties worse.

Mr Harry Turian, chairman of the Guernsey Growers' Association, says there is now a new mood of optimism in the industry.

"With a strong marketing system, growers will now be able to concentrate on producing quality crops, and horticulture will be able to play its part as a stable and important leg of the

Robin Reeves

' The Sark Lark '

Boat trip board meetings

THERE IS a growing feeling in the larger Channel Islands that it is time to end what is known as the Sark Lark—the wholesale recruitment of directors from the small feudal isle to enable companies formed in Guernsey and Jersey to claim non-resident status.

Such companies are exempt from income tax and pay only a flat rate of corporation tax—due to go up shortly from £300 to £500. But to qualify they must have a majority of non-local directors and hold their board meetings outside the island.

Fiscally separate and levying no income tax, but only a short boat trip away, Sark is a convenient territory from which corporation-tax companies, as they are known, can be nominally controlled—though the island itself has no company law or company registration.

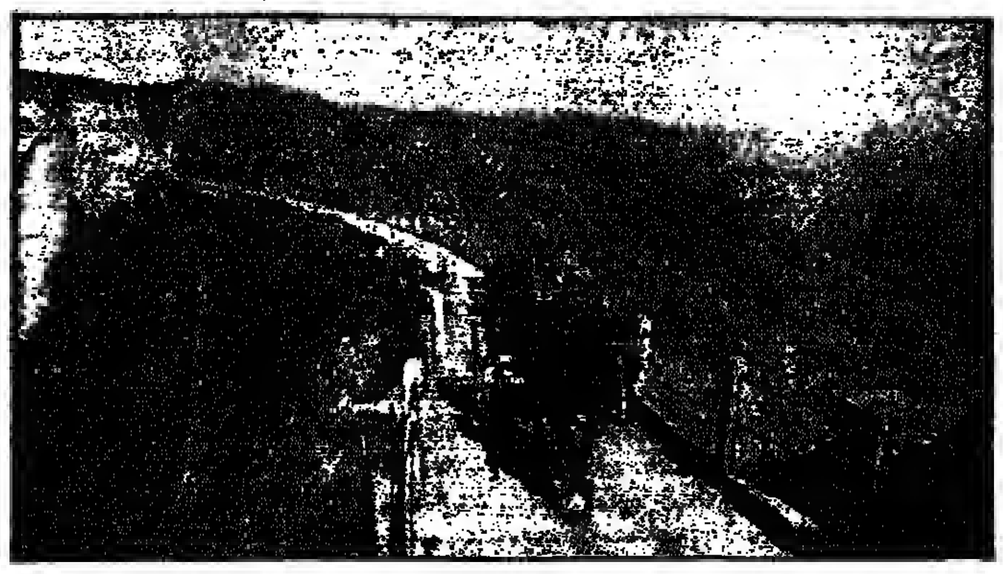
The president of the Guernsey Chamber of Commerce, William Bell, has been the latest to voice the business community's disquiet over the Sark Lark. He described it as "a farce" and "unfitting to our position as an internationally respected offshore financial centre."

What many people in the finance industry would like to see instead is a tax-exempt category of company that could be controlled from within Guernsey or Jersey—as Guernsey has already introduced, in fact, for offshore fund management companies.

Should the authorities in the larger islands be persuaded to take this step, it could wipe out what has been a bonanza for a growing number of Sark's 520 residents since the 1960s.

Although it comes under the overall jurisdiction of Guernsey, nine miles distant, Sark is self-governing and financially independent. The constitution of its parliament, Chief Pleas, has altered little since the days of Helier de Carteret, the first Seigneur. He colonised the island under Letters Patent from Elizabeth I, dividing it into 40 *tenements* or parcels of land that are still extant.

The Sarkese have always shown spirited resistance to change, jealously guarding their tranquil, feudal way of life from the pressures of the 20th century.



One of Sark's 38 horse-drawn vehicles, pulled by one of the island's 40 horses and driven by one of its 520 residents. There are also 38 tractors and 500 bicycles. Many of the residents have been recruited as directors of companies formed in Jersey and Guernsey so that the companies can be claimed to have non-resident status.

The island, roughly two miles square, retains a total ban on cars. Even the local doctor carries out his rounds on a bicycle, while the fire engine, ambulance and two "buses" that carry visitors up the long, steep hill from the harbour are tractor-drawn.

At the latest count, Sark had 38 tractors, 30 horse-drawn vans and wagonettes, five Victoria carriages, three governess carts, 40 horses and 500 bicycles.

There is no social insurance, and duties on drinks and tobacco are lower than in Guernsey. Tourism is the economic mainstay, catering each year for some 60,000 day trippers and "staying" visitors.

Six hotels, 10 guest houses and 16 self-catering units accommodate the summer holiday-makers.

But changes in the population patterns are beginning to take place. Half of the parliament's 52 members—made up of 40 *tenants*, who (confusingly) are owners of the *tenements*, and 12 peoples' deputies—are non-islanders. A few years ago, the Sark-born had a 70 per cent majority in Chief Pleas.

Newcomers, too, have bought up old cottages and rebuilt or improved them to standards beyond the means of most local young couples. The island is now introducing legislation to prevent new building or major conversion by anyone who has lived in Sark for less than 15 years.

But is is the "invisible" revenue from the Sark Lark, rather than the tourist trade or the money brought in by settlers that accounts for today's smartly refurbished homes and comfortable life styles.

As far back as 1970, one Sark resident told the Guernsey authorities he was resigning from 46 directorships. Today, with some 9,000 corporation-tax companies operating from Jersey and 4,000 from Guernsey, a Sark resident can easily pick up dozens of directorships. Even at £200 a time this can add up to a useful income. Star performers are said to be netting at least £30,000 to £40,000 a year, while £10,000 is not exceptional.

No business expertise is needed to become a director. All that is usually required is to sign a few papers and perhaps arrange a lobster lunch for visiting company officers. Sometimes business is hurriedly transacted at the harbour.

None of this prosperity benefits Sark's exchequer, which this year had a £150,000 budget.

Michael Beaumont, the island's heriditary Seigneur, says: "It's the only place I know where the wealth of the individual has no bearing on the wealth of the state. Here, it's possible to have a lot of wealthy people and a bankrupt state."

Mr Beaumont, a former design engineer in the aircraft industry, succeeded his grandmother, the celebrated Dame Sibyl Hathaway, when she died at the age of 90.

He and his wife, Diana, now live at La Seigneurie, traditional home of Sark's feudal rulers since 1730. As Seigneur, he is entitled to 1-13th of the selling price when a *tenement* changes hands.

The island's only form of direct tax (known as "poor tax" because it is raised to help those in need) is a combined property and capital tax. It is based on the building area of island properties and is also nicknamed "the guess tax" because residents are assessed as well on how much capital they are believed to own.

A popular rumour locally is that the most scruffily dressed residents are actually the richest—because they are trying to hoodwink island authorities into thinking they are hard up. Anyone who considers his assessment unfair must swear on oath in Sark's Court that he is not as wealthy as was supposed.

Recently, Chief Pleas looked at various ways to channel some percentage of the earnings from Sark directorships into general revenue, but decided that they were all impracticable. The only method seemed to be to introduce income tax—at present unthinkable to the Sarkese.

There are some islanders who would shed no tears if the days of the Sark Land were to be brought to a close. They say it has benefited individual islanders, but not Sark as a whole, leading to rising prices and expensive labour, while sapping the traditional self-sufficiency of the island.

Edward Owen

Lottery success

Big money lure pays off

THE BIGGEST DRAW in the 20-year history of the Channel Islands lottery takes place tomorrow, December 18, with an expected sale of 750,000 £1 tickets in the Bailiwicks of Jersey and Guernsey.

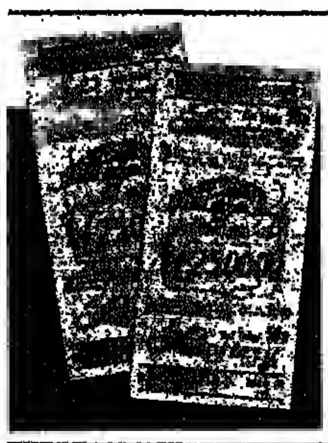
Last year's Christmas "bumper" draw, seen at the time as a controversial departure from the usual pattern of the series, proved to be the most successful ever held. Its organisers relied on the lure of big money at the top to pull in local punters and offered a first prize of £50,000—plus an extra £1,000 for every 5,000 tickets sold above the initial number guaranteed by the islands' lottery agents. The first prize peaked at £91,000, with a total sell-out of half a million tickets even before the day of the draw. The second prize remained constant at £25,000.

This Christmas the same successful format is being followed, but the top prize starts at £60,000 and the second is £30,000. A third big prize of £20,000 has also been introduced.

After 18 months of jostling to poach each other's punters, enticing them with rival "Snowball" and "Jackpot" draws, Guernsey and Jersey joined forces in 1975 to launch the Channel Islands Lottery.

Since the lottery began in 1966, over £13m has been paid out in prize money and Jersey has contributed more than £5m to Fort Regent. In adddition, the larger island has paid £165,000 to local charities.

The Jersey parliament agreed five years ago to earmark some of the draws for this purpose. The two bigger draws—the bumper summer lottery linked to Jersey's annual Battle of Flowers and Christmas draw—are held in aid of charity this year.



Tickets (left) for a Channel Islands lottery in which Jersey and Guernsey have joined forces since 1975. Tomorrow's draw in the latest of the series is expected to create a record with an expected sale of 750,000 tickets at £1 each.

Guernsey, which began building its leisure centre later than Jersey, decided in 1984 to pay profits from only one draw a year to island charities until 1989.

The island's profit share of the joint lottery is based on the number of tickets sold and works out roughly at 40 per cent. In addition, Guernsey pays 2½ per cent of sales to Jersey for administration charges.

Ticket sales are handled by 12 main lottery agents—five based on each of the two big islands, one in Alderney one in Sark. The agents guarantee to take and pay for a minimum number of tickets in advance, and get 12 per cent commission in return. Prizes are based on these guaranteed ticket sales.

The lottery is the only venture to be jointly run by the governments of Jersey and Guernsey, and even here the partnership has developed because of inter-island rivalry for ticket sales.

Jersey, which held its first States-sponsored draw as long ago as 1751, started an island lottery in 1966 to help to fund the building of Fort Regent, its multi-million pound leisure centre.

Although gambling was illegal in Guernsey 20 years ago, pubs and corner shops did a brisk trade in Jersey tickets, selling them at "five bob" (25p) for the chance of a top £5,000 prize.

With its own leisure centre, Beau Séjour, to finance, the Guernsey Government decided to introduce a rival lottery in 1972.

First it had to change the antiquated gambling laws that were almost unworkable; for example, they banned betting on horse racing. The only real losers through revision of the legislation were said to be the island's illicit bookmakers.

Instead of operating freely while the authorities looked the other way the bookies were limited to five in number and they had to pay an annual licence fee. A betting shop licence now costs £800.

Between them, the main agents use around 1,500 sub-agents who include local milkmen, shopkeepers, bar-tenders and office cleaners. They are paid a 7½ per cent commission.

There are usually 25 draws a year, with a standard top prize of £25,000 and 79 other prizes, scaling down from £2,500 to £5. Ten draws have a first prize of £30,000 and three of £35,000.

Many of the Channel Island's 1m or more holidaymakers each year like a flutter on the lottery and leave a stamped, addressed envelope with the sub-agent from whom they buy their ticket. After the draw, he sends a list of all the winners to their home address.

If one of the lucky numbers belongs to the holidaymaker, he or she must then apply for their winnings to the main Government office in Jersey or Guernsey.

Initially the joint lottery was held twice at Fort Regent alternating with ones at Beau Séjour. Both Jersey and Guernsey need colourful if primitive non-electronic equipment to extract a random selection of winning numbers before small but eager audiences at their respective leisure centres.

According to Mr Chris Fairhurn, Jersey's lottery officer, that island's ticket selector was based on a 1950 Gibraltar lottery model.

"It was an H. G. Wells time machine with big copper spheres with trap doors in the top. You needed boxes and boxes of metallic lotters and the whole operation took two hours," he says.

Today the draws are all held at Fort Regent using a micro-computer that selects the winning numbers in 25 minutes. It is known as "Fred" (for Fantastically Reliable Electronic Device) and a symbolic "Fred" figure is used widely in sales promotions.

The lottery has become such an institution in the Channel Islands that its administrators have just paid £2,000 for electricity stand-by equipment to prevent disruption of the draw in the event of a power cut.

Willa Murray